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Hyundai Research Institute

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Devoting to economic research
and human resource development
with intellectual conscience and sincerity,
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the advancement of Korean Economy
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creative policy alternatives.

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Publisher
TaeHyung Ha, Ph.D.

Editor
Sangwan Han, Ph.D.

Editorial Board
Heejung Lim, Ph.D.
Minjung Kim, Ph.D.
Deogbae Park, Ph.D.
Sanghan Yea, Ph.D.

For inquires concerning the contents of the publication, please contact the respective author or:

Tel:82-2-2072-6218
Fax:82-2-2072-6229
Email:limhj9@hri.co.kr

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The service sector is an industry with an economic weight contributing more than 50% of added value and 70% of employment. This study suggests as following : (1)Korea should focus on creating high value added jobs for effective utilization of labor engaged in the service industry, and promote education/training programs for this purpose. (2) Regulation reform to meet the needs of industry-specific characteristics and a tailor-made investment incentives strategy should be in place to successfully attract investments into the service industry. (3)Technological development and innovation capability should be secured to enhance total factor productivity by increasing R&D investment for the service industry and by utilizing IT and expanding technological convergence.

『Chronological Assessment of Bank Rate Policies and Policy Suggestions』

Domestic monetary policy shifted to a system for price stability from May 1999, setting up achievable inflation targets and forecasting inflation trends in consultation with the government, taking into account the global economic environment and financial markets. Although the bank rate policy is prioritized on price stability, it changes policy interest rates depending on its outlook on economic condition and financial market stability.

Ⅲ. The North Korean Issues

Korea needs a new growth momentum to halt any further fall of the potential growth rate of Korea, which has been trending down due to the low birth-rate, deepening aging phenomenon, and protracted domestic economic depression. Unification will not only help improve the demography of Korea, ease the shortage of natural resources, and expand the domestic market, but also deliver Korea a new growth momentum engine as well as expansion of its economic territory.

Ⅰ. Recent Economic Trends

1. Recent Global & Domestic Economic Trends

Major Foreign Economies

The US recovery trend is strengthening while the Eurozone and Japan are showing no solid recovery engine. China's economy is slowing down.

Economic recovery of the US is picking up having emerged from the last of the effects of the cold weather wave. Industrial production and retail sales showed in March a month-on-month increase of 0.7% and 1.1% respectively. Unemployment rate in April marked 6.3%, the lowest in five years and seven months. The Case-Shiller home price marked 169.2p in February, an upturn for the 25th consecutive month reflecting a continuing recovery of the housing market.

Eurozone's economy is emerging from depression. Industrial production showed a month-on-month rise of 0.2% in February, and retail sales recorded a month-on-month increase of 0.3% in March. Unemployment rate, however, remains at 11.8% for the fourth consecutive month since December 2013. The growth rate of the consumer price index stayed at 0.7% in April, still below the European Central Bank's target of 2%.

Japan's economic growth appears to be held back to some extent. Industrial production in February showed a month-on-month drop of 2.3% while retail sales showed in March a month-on-month rise of 6.3%. The consumer confidence index marked 37.5p in March, a month-on-month drop of 1p. The manufacturers' PMI recorded 53.9p, a month-on-month fall of 1.6%. The trade deficit accounted for a record-high JPY1.4463 trillion in March.

China's economy is slowing down. Industrial production and retail sales showed in March a year-on-year rise of 8.8% and 12.2% respectively. Export and import marked a year-on-year drop of 9.0% and 6.6% in March. The HSBC's manufacturers PMI recorded 48.3p, a month-on-month rise of 0.3p, failing to reach beyond the 50point baseline for the fourth consecutive month.

Despite the US showing good economic indicators, international financial markets including Asia's remained weak due to the geopolitical risk following the continuing political uncertainty of Ukraine.

< Economic Indices of Major Countries >

(%)

Economic Sectors		2012	2013	2014		
		Annual	Annual	Jan	Feb	Mar
US	Industrial Production	3.6	2.6	-0.2	1.2	0.7
	Retail Sales	5.3	4.3	-0.7	0.7	1.1
EU	Industrial Production	-2.5	-0.7	0.0	0.2	-
	Retail Sales	-1.7	-0.8	1.0	0.1	0.3
Japan	Industrial Production	0.6	-0.8	3.9	-2.3	-
	Retail Sales	1.8	1.0	1.6	0.3	6.3
China	Industrial Production	10.0	9.7	-	8.6	8.8
	Retail Sales	14.3	13.1	-	11.8	12.2

(p, yen, euro, yuan)

Economic Sectors		2012	2013	2014		
		Annual	Annual	Mar	Apr	May
Stock index	DJIA	13,104	16,577	16,458	16,581	16,401
	DAX	7,612	9,552	9,604	9,603	9,468
	NIKEI	10,395	16,291	14,828	14,304	14,458
	SSE	2,269	2,098	2,033	2,026	2,028
Rate of Exchange	EUR/USD	1.3222	1.3799	1.3748	1.3812	1.3869
	YEN/USD	85.86	105.04	102.90	102.63	102.31
	CNY/USD	6.2317	6.0617	6.2122	6.2580	6.2593

Source : US Department of Commerce; Eurostat; The People's Bank of China
Note : US, EU, Japan QoQ, China YoY

2. Korean Economy

Domestic production and consumption increased. Exports are improving and prices rising.

Overall industrial production in March showed a month-on-month rise of 0.4% due to the increased production in service, mining, and manufacturing industries although production in construction business dropped. Consumption recorded a month-on-month rise of 1.6% due to the increased consumption of non-durable goods such as foodstuffs and semi-durable goods such as clothes. Facility investment marked a month-on-month increase of 1.5% while construction showed a month-on-month drop of 3.8%.

Exports marked US$50.3 billion in April, a year-on-year increase of 9.0%, and imports also reached US$45.9 billion, a year-on-year rise of 5.0%, recording a trade surplus of US$4.4 billion and a continuing surplus for the 27th consecutive month. In particular, exports achieved a monthly export of over US$50 billion for the second time in Korean export history thanks to the increased exports to the US and the ASEAN region combined with the base effect caused by the depressed export performance in April 2013.

Total number of employees in March accounted for 25.163 million, a year-on-year rise of 649,000. As in the previous month, the rising trend continued with increased new employments in various service sectors including whole-sale, retail, hotel, and restaurant businesses. The employment rate in March marked 59.4%, a year-on-year rise of 1.0%p, while unemployment rate recorded 3.9% in March, a year-on-year rise of 0.4%p.

The consumer price index in April showed a year-on-year rise of 1.5% and a month-on-month rise of 0.1%. The year-on-year growth rate of the consumer price index was 1.1% in January, marginally dropped to 1.0% in February, and rose back to 1.3% in March.

The core price index in April with agricultural and petroleum products excluded recorded a year-on-year rise of 2.3%, the highest increase rate in 26 months.

The KRW/USD exchange rate fell due to the steady domestic current account surplus combined with continuing foreign capital inflows into the stock market.

< Korea Major Economic Indices >

(p, %)

Economic Sectors		2012					2013					2014			
		Annual	1/4	2/4	3/4	4/4	Annual	1/4	2/4	3/4	4/4	Jan	Feb	Mar	Apr
Domestic Market	Retail Sales	2.3	1.1	0.2	1.4	-0.1	0.7	-1.0	0.9	0.8	0.4	2.4	-3.0	1.6	-
	Facility Investment Index	-2.0	5.6	-6.2	-3.7	0.4	-5.0	-3.1	1.1	5.0	5.9	-4.4	-0.5	1.5	-
	Construction	-5.8	-5.0	-1.7	1.9	1.7	10.5	3.5	6.3	-0.1	-0.7	8.4	-3.4	-3.8	-
Foreign Trade	Export Growth Rate	-1.3	2.9	-1.7	-5.8	-0.4	2.2	0.4	0.7	2.7	4.8	-0.2	1.4	5.1	9.0
Employment/ Prices	Unemployment Rate	3.2	3.8	3.3	3.0	2.8	3.1	3.6	3.1	3.0	2.8	3.5	4.5	3.9	-
	Consumer Price	2.2	3.0	2.4	1.6	1.7	1.3	1.6	1.2	1.4	1.1	1.1	1.0	1.3	1.5
Finance	KOSPI	-	2,014	1,854	1,996	1,997	-	2,005	1,863	1,997	2,011	1,941	1,980	1,986	1,959
	KRW/USD	-	1,133	1,145	1,111	1,071	-	1,111	1,142	1,075	1,067	1,070	1,068	1,065	1,030
	3yr Government Bond	-	3.55	3.30	2.79	2.82	-	2.52	2.88	2.82	2.86	2.88	2.85	2.87	2.86
	Corporate Bond (BBB-)	-	10.05	9.69	8.69	8.81	-	8.50	8.99	8.97	9.10	9.11	9.08	9.11	9.10

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

Ⅱ. Economic Issues Facing Korea

1. International Comparison of Service Industry Productivity

The service sector is an industry with an economic weight contributing more than 50% of added value and 70% of employment. The government has suggested a policy project to promote base expansion for the nurturing of the service industry and for the balanced development and growth between domestic demand and exports through a 'three-year plan for economic innovation'. Current government policy direction is, however, focused on expansion of the physical size of the service industry and its market, while lacking in efforts to enhance productivity, which is the essence of industrial competitive edge. Improving the service industry's productivity is the key to ease the imbalance within the Korean economy and to lead the whole economy to grow. However, the productivity improvement of the service industry is a must as service is fast becoming a commodity item. We, therefore, would like to compare the current level and trend of productivity of Korean service industry with those of advanced countries to identify ways to strengthen the vulnerable points of Korean service industry.

International Comparison of Service Industry Productivity

Productivity is a typical yardstick for efficiency and is measured by the added value produced by each production unit. Productivity can be divided into partial factors of productivity such as labor productivity, capital productivity and total factor productivity reflecting added value produced by synergy between production factors, quality level, and new production factors not yet accounted for.

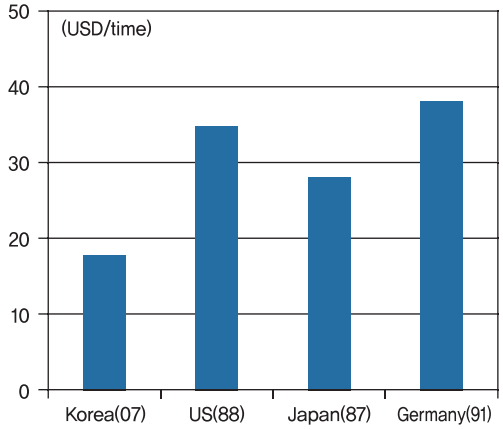
The gap between the labor productivity of the Korean service industry and those of the US, Japan, and Germany widened in the 2000s. Based on 2009

data, the labor productivity of the Korean manufacturing industry was US$24.6/hour, a mere 39% of the average productivity of those of the US, Japan, and Germany (US$62.8/hour). Compared with the figures of the year 2000, the productivity recorded in 2009 shows that the manufacturing industry improved by 3% while the service industry suffered a setback of 7% when compared to the average labor productivity of advanced countries. Considering the labor productivity of nations at the stage of GDP/capita US$20,000, the productivity of the Korean manufacturing industry is not far apart from those of advanced countries but the service industry is well below the level of advanced nations.

The capital productivity of the Korean manufacturing industry in the 2000s was either equal to or higher than those of the USA, Japan, and Germany; the Korean manufacturing industry produced 0.78 unit of added value per invested unit, which is similar to those of the US, Japan, and Germany while the Korean service industry produced only 0.20 unit of added value per invested unit, well below those of the three aforementioned nations. Meanwhile, compared with the capital productivities of the three nations when they were at the stage of GDP/capita US$20,000, the capital productivity of the Korean manufacturing industry was similar to those of the three nations although the capital productivity of the Korean service industry was well below the level of the advanced nations.

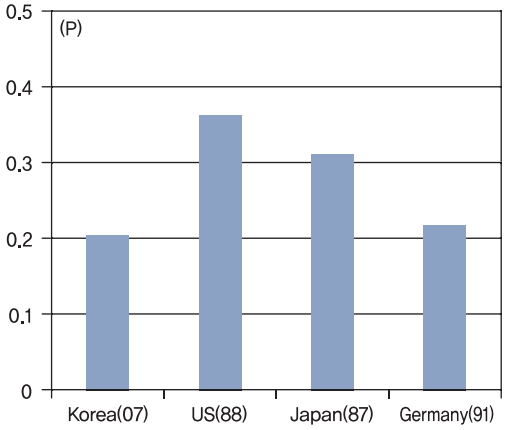
Although total factor productivity played an important role for the growth of the manufacturing industry in the 2000s, it hampered the growth of the service industry. Analyzing the 5.5% growth rate of the Korean manufacturing industry's value added on the basis of contribution ratio per production factor, labor input accounted for 0.6%, capital input 2.8%, and total factor productivity 2.2%, which is not behind those of the three nations. However, the contribution ratios of total factor productivity to the service industry's growth rate of value added are: Korea -1.1%, the US 0.3%, Japan -0.02%, and Germany 0.1%, revealing that the total factor productivity of the Korean service industry is vulnerable compared with the three nations. Meanwhile, the contribution ratio of total factor productivity to the growth of the manufacturing industry is similar to those of the three nations, but is weak when it comes to the total factor productivity of the service industry.

<Service Industry's Labor Productivity of Major Advanced Nations at the Stage of GDP/capita US$20,000 plus>



Source : Hyundai Research Institute based on OECD, EU-KLEMS, and Bank of Korea
Note : Labor Productivity = value added/total hours worked, based on employees, based on constant prices of 2005.

<Service Industry's Capital Productivity of Major Advanced Nations at the Stage of GDP/capita US$20,000 plus>



Source : Hyundai Research Institute based on statistics in International Input-Output Tables
Note : Capital Productivity = Value Added/Capital Stock.

Policy Suggestion

International productivity comparison suggests the needs of the following policies for the enhancement of the service industry productivity:

1. Korea should focus on creating high value added jobs for effective utilization of labor engaged in the service industry, and promote education/training programs for this purpose.
2. Regulation reform to meet the needs of industry-specific characteristics and a tailor-made investment incentives strategy should be in place to successfully attract investments into the service industry.
3. Technological development and innovation capability should be secured to enhance total factor productivity by increasing R&D investment for the service industry and by utilizing IT and expanding technological convergence.

2. Chronological Assessment of Bank Rate Policies and Policy Suggestions

Domestic monetary policy shifted to a system for price stability from May 1999, setting up achievable inflation targets and forecasting inflation trends in consultation with the government, taking into account the global economic environment and financial markets. Although the bank rate policy is prioritized on price stability, the Bank of Korea changes policy interest rates depending on its outlook on economic condition and financial market stability.

At this point in time, as the fifth governor of the Bank of Korea begins his term in office since the system for price stability objective was introduced, we would like to compare the economic situations and the bank rate policies employed by previous governors of the Bank of Korea to arrive at policy implication. Apart from the issue of maintaining price stability, previous governors seem to have invariably faced economic crises during their terms in office and adopted a vigorous bank rate policy to deal with those crises.

<Governors of the Bank of Korea since the Introduction of System of Price Stability Objective and Economic Crises Faced >

Periods	Mar 1998 - Mar 2002	Apr 2002 - Mar 2006	Apr 2006 - Mar 2010	Apr 2010 - Mar 2014
Governors	Cheolwhan JEON	Seung PARK	Seongtae LEE	Joongsoo KIM
Crises	Foreign currency crisis	Credit card crisis	Global financial crisis	European financial crisis

We reviewed optimum base interest rates based on Taylor's Rule and the base interest rates set by the Bank of Korea to assess the effects of bank rate policies. Most central banks adjust policy interest rate utilizing Taylor's Rule while considering their countries' economic situation, and it is understood that the Bank of Korea is also internally using a formula similar to Taylor's Rule when setting the base interest rate.

Chronological Economic Situations and Bank Rate Policies

1. Period of Governor Cheolwhan JEON(March 1998-March 2002): The Korean economy, which was reduced to a chaotic state due to the foreign currency crisis, began to stabilize from 1999 before it deteriorated again in 2000 following the IT bubble collapse and 9.11 terror incident in 2001. Although there was a gap between the bank rate policy and the optimum base interest rate, the bank rate policy adjusted to the optimum base interest rate eventually.
2. Period of Governor Seung PARK(April 2002-March 2006): The Korean economy was in a difficult situation due to the credit card crisis and faced a further fallout with the global economy in recession from the second half of 2004 to the first half of 2005 before it started to recover. Base interest rate stayed below the optimum level, but went above the optimum base rate in the second half of his term in office with his bank rate policy closely linked to the real estate market.
3. Period of Seongtae LEE(April 2006-March 2010): In the middle of the global financial crisis, the domestic economy experienced high fluctuations and prices had already started to rise sharply before the global financial crisis took place. The real estate market was stabilized until 2008 when it turned around again and rose. The bank rate policy failed to deal with sharply rising prices and the base interest rate plummeted following the global financial crisis, but stayed below the optimum base interest rate.
4. Period of Governor Joongsoo KIM(April 2010-March 2014): The Korean economy was fast recovering despite a depressed real estate market and a growing household debt issue following the global financial crisis before it took a downturn due to the European financial crisis. It turned around again and rose since the second half of 2013. Bank rate policy is maintaining a keynote of high interest rate(base interest rate>optimum base interest rate) as the base interest rate has failed to cope effectively with the suddenly changed optimum base interest rate.

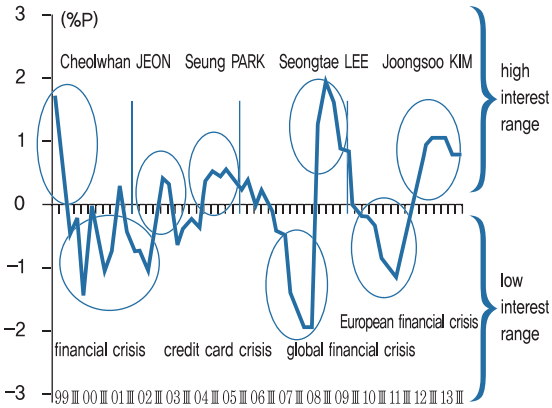
Assessment of Chronological Bank Rate Policy and Suggestion

Since the system for price stability objective was introduced in earnest in May 1999, the system appeared to have been successful as it managed to contain overall prices within the inflation target, helped by the lowered domestic consumption and steadily falling foreign currency exchange rate.

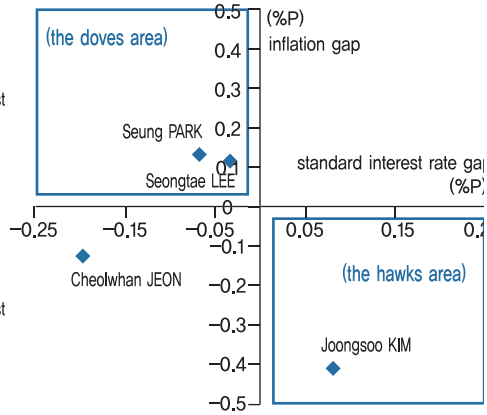
When compared with the level of the optimum base interest rate based on Taylor's Rule, bank rate policy shows that every governor adopted both relatively high interest rates as well as low ones depending on economic situations. Generally, base interest rate was high immediately before crisis(period of overheated economy), but lower than optimum base interest rate, while, following crisis(period of economic recession), base interest rate was relatively low, and yet still higher than optimum base interest rate.

Reviewing the policy characteristics of each governor, governor Joongsoo KIM appears to have adopted a relatively large scope of positive base interest rate spread and negative inflation spread whereas governors Seung PARK and Seongtae LEE showed the reverse. Governor Cheolwhan JEON demonstrated characteristics of both the doves and the hawks, adopting a large scope of negative base interest rate and inflation spreads. In short, governor Joongsoo KIM can be referred to as a hawk striving for price stability by raising the interest rate while governors Seung PARK and Seongtae LEE can be regarded as doves.

<Trend of 'base interest rate-optimum base interest rate>



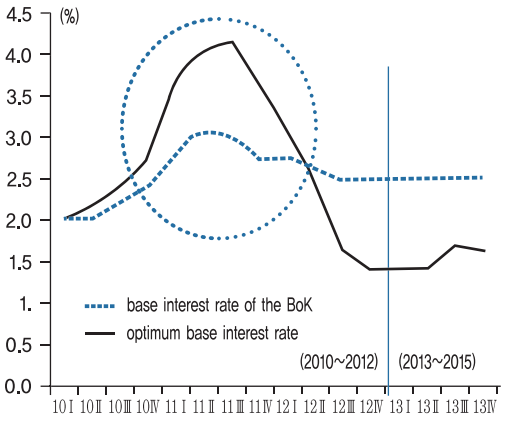
<Base interest rate gap & inflation gap per governor>



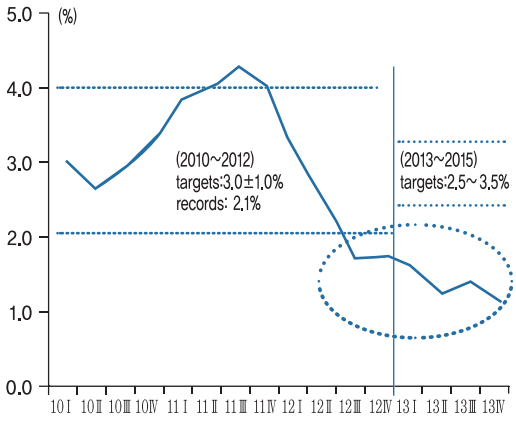
Source : Reconstructed by Hyundai Research Institute based on the Bank of Korea Data

Considering the latest development, the base interest rate of the Bank of Korea is rising well above the optimum base interest rate from the second quarter of 2012 as a result of inelastic management of the bank rate policy. It looks unlikely to achieve its mid-term(2013-2015) price stability objective due to the steadily falling consumer prices caused by economic recession and falling exchange rate following the European financial crisis. Inflation rate in 2013 marked 1.3%, and the bank of Korea's forecasts for 2014 and 2015 are 2.3% and 2.8%.The average inflation rate of these three years is 2.1%, lower than the lower limit of the target for 2013-2015.

<Trend of Base Interest Rates since 2010>



<Trend of Prices since 2010>



Source : Reconstructed by Hyundai Research Institute based on the Bank of Korea Data

Considering the above situations, we should:

1. Adopt a flexible bank rate policy by expanding communication with the market on the basis of policy neutrality.
2. Introduce a policy to heal low-price phenomenon in the short term in view of the absence of a global exit strategy where a low-price economic regime continues.
3. Enhance the effect of delivery of interbank rate for the short-term interest to improve the effectiveness of the bank rate policy.

Ⅲ. North Korean Issues

Economic Potential of the Unified Korea

A New Growth Momentum for Korean Economy : Unification

Korea needs a new growth momentum to halt any further fall of the potential growth rate of Korea, which has been trending down due to the low birth-rate, deepening aging phenomenon, and protracted domestic economic depression. Unification will not only help improve the demography of Korea, ease the shortage of natural resources, and expand the domestic market, but also deliver Korea a new growth momentum engine as well as expansion of its economic territory.

Estimate of Economic Potential of Unified Korea

The economic power of a unified Korea was estimated based on two different scenarios: Development of a single economic zone in the Korean peninsula and expansion of economic territory to Eurasia.

(Scenario 1: Formation of a Single Economic Zone in Korean Peninsula) The economic power of a unified Korea was estimated on the assumption that both South and North Korea maintain stable growth thanks to the synergy created by a single economic zone in the Korean peninsula. However, external effects such as foreign direct investment, influx of labor from neighboring countries including China, Russia, and Mongolia, and market expansion following development of N. Korean border areas were considered only to a limited extent. Although the S. Korean economy may suffer a temporary setback due to the burden of the cost for unification, the potential growth rate is expected to rise by 1.0%p in the mid and long term due to the increasing capital goods-oriented production and investment for the development of N. Korea, as well as general productivity enhancement. S. Korea's real GDP in 2050 is estimated to reach US$4.8 trillion and GDP/capita

of US$95,000. N. Korea is expected to achieve rapid economic growth in the short run and then maintain a higher level of growth than S. Korea in the mid and long term due to the fast improving labor productivity and heightening industrial structure. As a result, N. Korea is forecast to achieve real GDP of US$510 billion and GDP/capita of US$21,000 by 2050, which is equivalent to the real GDP of S. Korea in 2012, and the 20th economic power in the world in 2011. A unified Korea, therefore, is forecast to achieve real GDP/capita of around US$70,000 and real GDP of US$5.3 trillion, ranking as the 12th economic power in the world.

<Forecast of Real GDP Growth Rate of Unified Korea as a Single Economic Zone in Korean Peninsula>

Section	Real GDP Growth Rate		
	S. Korea	N. Korea	Unified Korea
2015-2020	3.0%	10.1%	3.2%
2021-2030	4.5%	9.7%	4.7%
2031-2040	3.7%	7.9%	4.0%
2041-2050	2.8%	6.2%	3.1%

Note : Period Average.

Section	Real GDP/capita(USD)		
	S. Korea	N. Korea	Unified Korea
2015	27,227	1,311	18,715
2020	31,916	2,118	22,128
2030	49,649	5,326	35,091
2040	71,588	11,405	51,821
2050	94,792	20,785	70,484

Note 1. S. Korea' s population based on 'Estimates of Future Population of National Statistical Office(2010-2060), N. Korea' s population based on Estimate of N. Korea' s Population of National Statistical Office(1993-2055).
2. Price in 2010 as a base

(Scenario 2: Expansion of Eurasian Economic Zone) Combined with the development of a single economic zone in the Korean peninsula, a huge north-eastern Asian economic zone connecting not only to Gando and the Maritime Provinces, but also to coastal areas of East China Sea is likely to be formed. The effect of the developments mentioned above is expected to lead to a larger Korean people's economic zone that includes South-East Asia, thereby maximizing the synergy of Korea's unification, and what is more, connecting to Eurasian economic zone by expanding logistic and transport SOC such as TSR, TCR, and Asian Highway. External effects such as foreign direct investment and influx of labor will also be maximized with relevant risk factors offset by the connection of resource and energy-related SOC such as gas

pipeline, which will help enhance S. Korea's potential growth rate in the mid and long-term and maintain N. Korea's rapid growth. Although S. Korea will suffer a setback in the short term at the early stage of unification due to the unification costs, S. Korea's potential growth rate is expected to rise by 1.5%p in the mid and long term, which will raise S. Korea's income level to those of advanced countries with estimated GDP of US$5.7 billion and GDP/capita of approximately US$113,000 in 2050. S. Korea will rank 12th in the world in terms of GDP size while N. Korea's income after unification will rise to the level of those of semi-developed countries. N. Korea's real GDP will rise to around US$1.3 trillion and GDP/capita up to US$48,000 by 2050 which is slightly below that of Australia, but higher than Mexico in 2011. In short,, a unified Korea's GDP is likely to mark US$6.9 trillion with GDP/capita reaching US$92,000 in 2050, which will place a unified Korea as the 7th largest world economy after China, theUS, India, Brazil, Japan, and India.

<Forecast of Real GDP Growth Rate of Unified Korea when Eurasia Economic Zone Expands>

Section	Real GDP Growth Rate		
	S. Korea	N. Korea	Unified Korea
2015-2020	3.5%	14.8%	3.8%
2021-2030	5.0%	12.1%	5.4%
2031-2040	4.2%	9.8%	4.7%
2041-2050	3.3%	8.2%	4.0%

Note : Period Average.

Section	Real GDP/capita(USD)		
	S. Korea	N. Korea	Unified Korea
2015	27,360	1,376	18,826
2020	32,856	2,729	22,961
2030	53,610	8,602	38,827
2040	81,108	22,010	61,697
2050	112,734	48,353	91,588

Note 1. S. Korea' s population based on 'Estimates of Future Population of National Statistical Office(2010-2060), N. Korea' s population based on Estimate of N. Korea' s Population of National Statistical Office(1993-2055).
2. Price in 2010 as a base

Policy Suggestion

To maximize the post-unification economic potential of Korea, the following tasks should be implemented before the integration of both Koreas:

1. Measures to finance the project to develop N. Korea should be established.

2. Korea needs to enhance understanding by the international community about the political and economic merits to be brought by the unification of Korea.
3. Every effort should be made to reduce the unification cost and narrow the income disparity between the two Koreas by revitalizing economic cooperation between the South and the North.
4. N. Korea should be encouraged to open up and reform by creating an atmosphere for N. Korea to change.
5. National consensus for unification of Korea should be formed.

<Forecast of Global Economic Power Rankings in 2050>

Section	2011		2050			
	Nations	Real GDP (US$ billion)	Scenario 1: Single Economic Zone in Korean Peninsula		Scenario 2: When Eurasian Economic Zone Expands	
			Nations	Real GDP (US$ billion)	Nation	Real GDP (US$billion)
1	US	15,094	China	48,477	China	48,477
2	China	7,298	US	37,998	US	37,998
3	Japan	5,867	India	26,895	India	26,895
4	Germany	3,571	Brazil	8,950	Brazil	8,950
5	France	2,773	Japan	8,065	Japan	8,065
6	Brazil	2,477	Russia	7,115	Russia	7,115
7	UK	2,432	Mexico	6,706	Unif. Korea	6,877
8	Italy	2,195	Indonesia	5,947	Mexico	6,706
9	Russia	1,858	Germany	5,822	Indonesia	5,947
10	India	1,848	France	5,714	Germany	5,822
11	Canada	1,736	UK	5,598	France	5,714
12	Spain	1,491	Unif. Korea	5,293	UK	5,598
13	Australia	1,372	Turkey	4,486	Turkey	4,486
14	Mexico	1,155	Italy	3,867	Italy	3,867
15	S. Korea	1,116	Spain	3,612	Spain	3,612
16	Indonesia	847	Canada	3,549	Canada	3,549
17	Turkey	773	Nigeria	3,451	Nigeria	3,451
18	Saudi Arabia	577	Saudi Arabia	2,977	Saudi Arabia	2,977
19	Poland	514	Australia	2,603	Australia	2,603
20	Argentine	446	Argentine	2,333	Argentine	2,333

Source : GDPs for 2011 based on World Bank Data, GDP Forecast for 2050 based on PWC Data, and Unified Korea's GDPs for 2050 estimated by Hyundai Research Institute.

[Annex]
Domestic and Global Economic Indices

[Annex] Domestic and Global Economic Indices

□ Global Growth Rate

Category	2012					2013					2014
	Annual	1/4	2/4	3/4	4/4	Annual(E)	1/4	2/4	3/4	4/4	Annual(E)
US	2.8	3.7	1.2	2.8	0.1	1.9	1.1	2.5	4.1	3.2	2.8
Euro Region	-0.6	-0.1	-0.3	-0.1	-0.5	-0.4	-0.2	0.3	0.1	0.3	1.0
Japan	2.0	3.7	-1.7	-3.1	-0.2	1.7	4.8	3.9	1.1	1.0	1.7
China	7.7	8.1	7.6	7.4	7.9	7.7	7.7	7.5	7.8	7.7	7.5

Note : 1) IMF figures of January 2014 for 2013 and 2014 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		2012	2013		Annual	2014(E)
			the first half	the second half		
National Account	Economic Growth rate (%)	2.3	2.4	3.5	3.0	3.8
	Private Consumption (%)	1.9	1.9	2.1	2.0	2.7
	Construction Investment (%)	-3.9	6.4	7.0	6.7	2.5
	Facility Investment (%)	0.1	-8.3	6.2	-1.5	6.7
Foreign Trade	Current Account (100 million Dollars)	508	313	486	799	490
	Exports (100 million Dollars) [Increase rate, %]	5,479 [-1.3]	2,765 [0.5]	2,832 [3.8]	5,596 [2.1]	6,067 [8.4]
	Imports (100 million Dollars) [Increase rate, %]	5,196 [-0.9]	2,565 [-2.9]	2,591 [1.4]	5,156 [-0.8]	5,697 [10.5]
Consumer Price (Average, %)		2.2	1.4	1.2	1.3	2.4
Unemployment rate (Average, %)		3.2	3.4	2.9	3.1	3.1

□ Economic Indicators of North Korea

		2005	2006	2007	2008	2009	2010	2011	2012	2013
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	520.6
	North-to-South	340.3	519.5	765.3	932.3	934.3	1,043.9	913.7	1,074.0	615.2
	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	1,135.8

Source : THE BANK OF KOREA, Ministry of Unification

Hyundai Research Institute

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HRI is established by Chung Ju-yung, the first CEO, founder and honorary chairman of Hyundai Group in 1986. HRI is a leading Korean research think tank committed to studying and analyzing the economic and industrial environment as well as reunification economy of Korea. HRI, further, has it's own businesses such as business consulting, education and training service, and knowledge-content business.

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HRI Contact Information

HQ *194, Yolgok-ro, Jongno-gu, Seoul, 110-470, Korea*
Contact *82-2-2072-6218*
Website *http://www.hri.co.kr*

Hyundai Research Institute