

# HRI Monthly Economic Review

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

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Devoting to economic research  
and human resource development  
with intellectual conscience and sincerity,  
the Hyundai Research Institute leads  
the advancement of Korean Economy  
in the 21st century by proposing  
creative policy alternatives.

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< Executive Summary >

### 1. Recent Economic Trends

The US economy is on a solid recovery track while the Eurozone, Japan, and China show marginal recovery. The Korean economy has yet to fully recover from the shock of the Sewol ferry disaster. Exports bounced back to an upturn trend, and prices remain low.

### 2. Economic Issues Facing Korea

『Downside Risk of Korean Economy in the Second Half of 2014 』 The Korean economy still faces double-dip risk with both exports as well as domestic demand in recession. There is a risk of a growing gap between the economy as shown by technical indicators and the actual economic sentiment of consumers. Quality of employment may suffer a setback in the midst of a large quantitative increase in employment. The exchange rate of 1000 is at risk of collapse. KRW/USD and KRW/JPY (won/100 yen) exchange rates are feared to fall under 1,000 won weakening the competitive edge of Korean export businesses. The China risk facing Korea can increase due to the deepening economic depression of the Chinese economy. Another slowdown risk facing the Korean economy arises from international raw materials.

『Current State of Korea's Social Capital in Comparison with OECD Member Countries』 Korea's social capital is one of the lowest of all OECD member countries. The level of Korea's social capital is low both in the private and public domain. The lack of confidence in the nation's public systems such as government and judicial system appears to be the main cause for the low scoring of Korea's social capital. Korea's level of personal consideration for others appears to be very low, especially for individuals of sexual minority and is one of the lowest of the 32 OECD member countries. Comparatively high marks for both personal and public participation are encouraging signs for the future of Korea's social capital.

### 3. The North Korean Issues

N. Korea has recently strengthened its cabinet government system to achieve an improvement in people's living standard, which is part of N. Korea's version of the 'policy separating economy from politics'. Strengthening the market economy system such as expanding the introduction of incentives and autonomy is thought to be an attempt to overcome the limitation of the existing centrally-determined economy. Legislation of the Economic Development Zone Act and nationwide expansion of tailored-made special economic zones are assessed to be positive and realistic policies to attract foreign investment.

## **I . Recent Economic Trends**

### **I . Recent Global & Domestic Economic Trends**

#### **Major Economies**

*The US economy is on a solid recovery track while the Eurozone, Japan, and China show marginal recovery.*

The US economy maintains its solid recovery. Industrial production and retail sales in May recorded a month-on-month increase of 0.6% and 0.3% respectively. Manufacturing industry's PMI also showed 55.4p, a month-on-month rise of 0.5p. The number of new employments in non-farm payroll stays at 200,000 plus for the 5th consecutive month since February. Although the upswing of the Case-Shiller Housing Price Index which has been on the increase for the past 27 months is slowing down, the number of houses sold in May recorded 504,000, the largest in six years.

The Eurozone economy shows a gradual recovery. Industrial production and retail sales in April marked a month-on-month rise of 0.8% and 0.4% respectively. Although the unemployment rate of 11.6% in May was the same as in April, this was a year-on-year drop of 0.4%p. The inflation rate in June marked a year-on-year rise of 0.5%, remaining below the 1% level for nine consecutive months.

Japan is gradually shaking off the shock from the consumer tax increase. Industrial production and retail sales in May accounted for a month-on-month rise of 0.5% and 4.6% respectively. Manufacturing industry's PMI in May recorded 50.7p, a month-on-month increase of 1.3p. Exports in May showed a year-on-year drop of 2.7% with a trade deficit of JPY909 billion, a deficit for the 23rd consecutive month.

China's economy also shows a marginal recovery. Industrial production and retail sales in May marked a year-on-year rise of 8.8% and 12.5% respectively. Export growth rate rose to 7.0% in May from 0.9% in April. The PMI of China's major businesses surveyed by the National Statistical Office accounted for 51.0p as

of May, the highest in six months. The HSBC PMI of which small & medium-sized businesses comprise more than 50% marked at 50.7p in May, maintaining an upturn trend for three consecutive months.

Although the international financial market was stressed in June due to the risk of a civil war in Iraq, stock markets of major economies rallied with expectation for a continuing recovery of the US economy.

**<Economic indices of major countries>**

(%)

(p, yen, euro, yuan)

Economic Sectors	2012	2013	2014			International Finance Sector	2012	2013	2014					
	Annual	Annual	Mar	Apr	Jun		Annual	Annual	May	Jun	Jul			
US	Industrial Production	3.8	2.9	0.8	-0.3	0.6	Stock index	DJIA	13,104	16,577	16,717	16,827	16,956	
	Retail Sales	5.1	4.2	1.5	0.5	0.3		DAX	7,612	9,552	9,943	9,833	9,902	
EU	Industrial Production	-2.5	-0.7	-0.4	0.8	-		NIKEI	10,395	16,291	14,632	15,162	15,326	
	Retail Sales	-1.7	-0.8	0.1	0.4	-		SSE	2,269	2,098	2,039	2,048	2,050	
Japan	Industrial Production	0.6	-0.8	0.7	-2.8	0.5		Rate of Exchange	EUR/USD	1.3222	1.3799	1.3602	1.3645	1.3681
	Retail Sales	1.8	1.0	6.4	-13.6	4.6			YEN/USD	85.86	105.04	101.74	101.44	101.55
China	Industrial Production	10.0	9.7	8.8	8.7	8.8	CNY/USD		6.2317	6.0617	6.2380	6.2185	6.2000	
	Retail Sales	14.3	13.1	12.2	11.9	12.5								

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

Note : US, EU, Japan QoQ, China YoY

**Korean Economy**

*The Korean economy has yet to fully recover from the shock of the Sewol ferry disaster. Exports bounced back to an upturn trend, and prices remain low.*

Production and facility investment in May showed a month-on-month drop of 1.0% and 1.4% respectively. Retail sales marked a month-on-month rise of 1.4% with sales of most retail shops and production of service industry increasing, a weak recovery considering the drop of 1.6% recorded in the previous month. Construction in May suffered a month-on-month fall of 6.0% due to reduced construction and civil engineering works.

Exports rebounded from a year-on-year decrease of 1.0% in May

and to an increase of 2.5% in June amounting to US\$47.8 billion. The export amount per day, in particular, marked US\$2.28 billion, a year-on-year rise of 4.9%, breaking the previous record of US\$2.23 billion marked in September 2013. The amount of imports accounted for US\$42.6 billion, a year-on-year increase of 4.5% with a trade surplus of US\$5.3 billion in June, a surplus for the 29th consecutive month.

The improving trend of employment slowed down. The total number of the employed marked a year-on-year increase of 413,000 in May. The year-on-year increase of employment of less than 500,000 is the first time since October 2013 and is attributed to the slowing growth rate of workers employed in wholesale, retail, hotel, and restaurant businesses following the Sewol ferry disaster. The unemployment rate marked 3.6%, a year-on-year rise of 0.6%p.

Prices continue to stay low. Consumer price inflation marked a month-on-month drop of 0.1% in June, but a year-on-year rise of 1.7%, maintaining the same inflation rate as in the previous month, but still much lower than the inflation target of 2.5%-3.5% set by the bank of Korea.

The KRW/USD exchange rate in June fell with the Korean financial market due to the increasing marginal inflow of US dollars into Korea. The interest rate market also dropped with struggling Korean economic indicators and a greater expectation for base rate to be lowered.

<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	1/4	Apr	May	Jun
Domestic Market	Retail Sales	2.3	1.1	0.2	1.4	-0.1	0.7	-1.0	0.9	0.8	0.4	0.3	-1.7	1.4	-
	Facility Investment Index	-2.0	5.6	-6.2	-3.7	0.4	-5.0	-3.1	1.1	5.0	5.9	-5.2	2.6	-1.4	-
	Construction	-5.8	-5.0	-1.7	1.9	1.7	10.5	3.5	6.3	-0.1	-0.7	1.5	6.9	-6.0	-
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	1.7	9.0	-1.0	2.5
Employment/Prices	Unemployment Rate	3.2	3.8	3.3	3.0	2.8	3.1	3.6	3.1	3.0	2.8	4.0	3.9	3.6	-
	Consumer Price	2.2	3.0	2.4	1.6	1.7	1.3	1.6	1.2	1.4	1.1	1.1	1.5	1.7	1.7
Employment/Prices	KOSPI	-	2,014	1,854	1,996	1,997	-	2,005	1,863	1,997	2,011	1,986	1,959	1,995	2,002
	KRW/USD	-	1,133	1,145	1,111	1,071	-	1,111	1,142	1,075	1,067	1,065	1,030	1,020	1,012
	3yr Government Bond	-	3.55	3.30	2.79	2.82	-	2.52	2.88	2.82	2.86	2.87	2.86	2.82	2.68
	Corporate Bond (BBB-)	-	10.05	9.69	8.69	8.81	-	8.50	8.99	8.97	9.10	9.11	9.10	9.04	8.91

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

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

### **Downside Risk of Korean Economy in the Second Half of 2014**

#### ***Weak Sign of Economic Recovery and Downside Risk***

Private consumption and construction investment of Korea look set to achieve no more than a marginal recovery in the second half of 2014 despite the gradual improvement of exports and facility investment. Private consumption in particular will be well below the economic growth rate despite the shock of the Sewol ferry disaster dissipating. HRI, therefore, revised the economic growth rate from 3.8% to 3.6%, which in practical terms means a 0.4%p reduction excluding the effect of statistical revision. The second half of 2014 will be a critical period when urgent steps should be taken to strengthen economic recovery and effectively manage economic downside risk.

#### ***Downside Risk of Korean Economy in the Second Half of 2014***

The downside risk of Korean economy in the second half of 2014 is as follows:

1. The Korean economy still faces double-dip risk with both exports as well as domestic demand in recession. In the first half of 2014, the Korean economy showed signs of softening, temporarily putting economic recovery to a standstill due to the depressed economy both home and abroad. The Korean economy may derail from its recovery track and enter into a double-dip recession if global and domestic downside risk becomes a reality with the recovery of exports and domestic demand delayed.

2. There is a risk of a growing gap between the economy as shown by technical indicators and the actual economic sentiment of consumers. Despite marginally improving indicators in the first half of 2014, the gap between the real economy and the economy as perceived by the public eye, viz prices, employment and class-perception appears to be widening. This deterioration of



economic sentiment leads to weakening consumer sentiment which will increase the risk of ‘domestic deflation’ and limits government policy means.

3. Quality of employment may suffer a setback in the midst of a large quantitative increase in employment. Although the number of new employments rose substantially, most of those are low value-added jobs and are for the age group of 50s and above. The wage gap between regular workers and non-regulars is widening, and the quality of employment is falling which can shrink consumer sentiment and delay domestic economic recovery.

4. The exchange rate of 1000 is at risk of collapse. KRW/USD and KRW/JPY (won/100 yen) exchange rates are feared to fall under 1,000 won weakening the competitive edge of Korean export businesses. The Korean economy is already suffering from depressed domestic demand and may face a harsher challenge if this is combined with deteriorating export conditions.

5. The China risk facing Korea can increase due to the deepening economic depression of the Chinese economy. Weakened by shrinking exports and domestic demand, China’s economic slowdown is set to continue with the ongoing economic restructuring such as shadow banking system regulations and control of excessive investment. Being highly dependent on Chinese demand for Korean export, the Korean economy is likely to face increasing China Risk.

6. Another slowdown risk facing the Korean economy arises from international raw materials. Although international raw material prices are on the downturn, it is highly likely that heightened geopolitical risk will create an economic version of El Nino with increasing risk factors such as the civil war in Iraq and the gas crisis involving Russia and Ukraine. As a result, imported oil prices may increase and investment may fall, ultimately leading to a slow-down in Korean economic growth with dwindling exports due to the depressed global economy.

< Revised Economic Forecast for 2014 >

Sections	2012	2013			2014(E)		
		1stHalf	2ndHalf	Average	1stHalf	2ndHalf	Average
Economic Growth Rate(%)	2.3	2.4	3.5	3.0	3.7 (3.9)	3.6 (3.6)	3.6 (3.8)
Private Consumption (%)	1.9	1.9	2.1	2.0	2.3 (2.8)	2.6 (2.6)	2.5 (2.7)
Construction Investment (%)	-3.9	6.4	7.0	6.7	3.1 (1.7)	2.1 (3.3)	2.6 (2.5)
Facility Investment(%)	0.1	-8.3	6.2	-1.5	7.0 (9.8)	3.9 (3.9)	5.4 (6.7)
Export (%)	-1.3	0.5	3.8	2.1	3.0 (7.5)	5.6 (9.3)	4.3 (8.4)
Inflation (%)	2.2	1.4	1.2	1.3	1.4 (2.2)	1.9 (2.6)	1.7 (2.4)
Unemployment (%)	3.2	3.4	3.2	3.3	3.8 (3.2)	3.4 (3.0)	3.6 (3.1)
KRW/USD Exchange Rate(Average,won)	1,127	1,101	1,095	1,098	1,050 (1,080)	1,010 (1,060)	1,030 (1,070)

Source : HRI.

Note : 2014(E) figures estimated by HRI. Figures in ( ) are figures as of October 2013.

### Policy Suggestions

Korea should take the following preemptive measures to prevent the risk of the Korean economy sliding from its current soft patch towards a double dip and focus on policies to strengthen the resiliency of the Korean economy:

1. Existing policies such as early execution of government expenditures should continue as planned.
2. Eased monetary policy should be maintained. The increase of the base rate can be considered with caution as it can weaken economic recovery trend, but a preemptive base rate cut can be applied if domestic economy declines sharply.
3. Fine tuning should be in place to control the speed of the falling exchange rate to ensure that KRW/USD does not stray far from the balanced exchange rate range of 1,120-1,130 won to 1

dollar.

4. Policies should be focused on establishing a virtuous circle of asset effects by revitalizing the real estate market, thereby leading to a recovery of private consumption and construction business.

5. Ceaseless efforts should be made to enforce policies to enhance potential economic growth rate.

## **2. Current State of Korea's Social Capital in Comparison with OECD Member Countries : Korea's Social Capital Index ranking 29th out of 32 OECD Member Countries**

### ***Concept and Estimation Method of Social Capital Index***

Social capital index refers to elements consisting of social capital shown in the form of indicators, in other words, the comparative competitive edge of elements affecting changes of social capital. Elements consisting of social capital are divided into private social capital (15 indicators) and public capital (15 indicators): Private social capital comprises of personal trust, personal consideration, and personal participation, while public social capital refers to six elements including public trust, public consideration, and public participation. The arithmetic mean value of individual indicators was indexed with a maximum point of 10 in comparison with the 32 OECD member countries.

### ***Estimation Result of Social Capital Index***

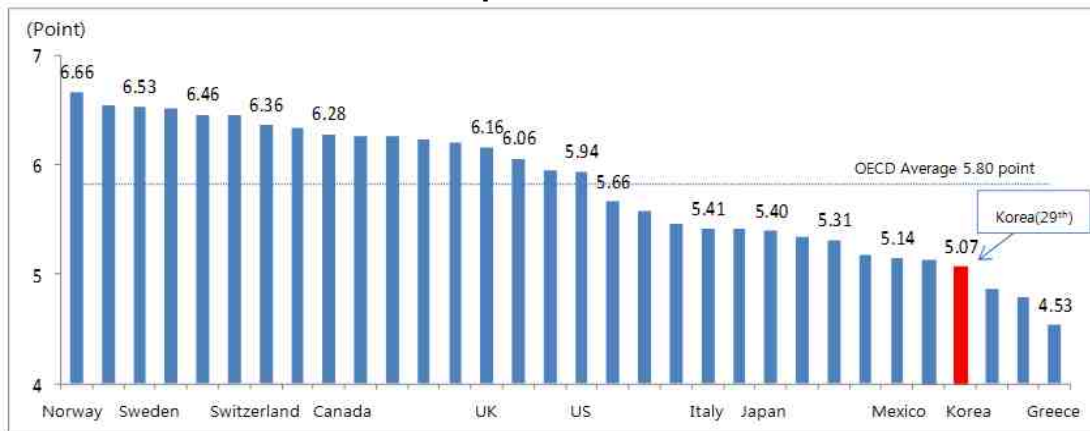
The result of social capital index estimation shows that Korea is

well below the levels of G7 countries.

1. Korea's social capital is one of the lowest of all OECD member countries. Korea's social capital index scored 5.07, well below the OECD average 5.80, ranking 29th place out of 32.

2. The level of Korea's social capital is low both in the private and public domain. Korea's private social capital marked 5.40, much lower than the OECD average 6.22, and public social capital scored only 4.75, showing a huge gap with the OECD average 5.37.

< Estimation of Social Capital Index of OECD Countries(2012)>



Note: Israel and Turkey are excluded due to the absence of data

3. The lack of confidence in the nation's public systems such as government and judicial system appears to be the main cause for the low scoring of Korea's social capital. Public confidence of six elements comprising social capital scored the lowest: 31st out of 32.

4. Korea's level of personal consideration for others appears to be very low, especially for individuals of sexual minority and is one of the lowest of the 32 OECD member countries. The level of personal confidence is also low largely due to Korea's level of confidence in friends and relatives being amongst the lowest.

5. Comparatively high marks for both personal and public participation are encouraging signs for the future of Korea's social capital. Public participation scored the highest point of all six

elements of social capital, and is anticipated to play an important role as a bridgehead to enhance Korea's social capital. Public participation is higher than the G7 average and is also higher than the scores of other social capital elements of Korea. Personal participation is also relatively better than other elements mainly because the points for individual elements such as voluntary service and participation in religious activities are higher than the OECD average.

**< Estimation of Social Capital Index of G7 Countries >**

Ranking	Nations	Private Confidence	Private Consideration	Private Participation	Private Social Capital	Public Confidence	Public Consideration	Public Participation	Public Social Capital	Total
1	Norway	8.17	8.53	4.57	7.09	6.52	6.81	5.34	6.22	6.66
2	New Zealand	7.46	8.52	5.37	7.12	6.19	7.17	4.52	5.96	6.54
3	Sweden	7.67	8.27	5.14	7.02	6.14	7.56	4.29	6.00	6.53
9	Canada	7.28	8.50	5.22	7.00	5.49	6.88	4.29	5.55	6.28
14	UK	7.05	8.07	4.84	6.65	5.72	7.48	3.77	5.66	6.16
15	Germany	7.03	7.87	4.58	6.49	5.64	6.62	4.59	5.62	6.06
17	USA	6.59	7.68	5.85	6.71	4.73	6.54	4.23	5.17	5.94
18	France	6.71	7.42	3.21	5.78	5.49	7.19	3.98	5.55	5.66
21	Italy	7.12	6.00	4.82	5.98	4.86	5.91	3.77	4.85	5.41
23	Japan	7.26	6.42	3.77	5.81	4.86	6.08	4.00	4.98	5.40
29	Korea	6.71	5.23	4.26	5.40	4.11	5.99	4.14	4.75	5.07
G7 Average		7.01	7.42	4.61	6.35	5.26	6.67	4.09	5.34	5.84
OECD Average		7.14	7.20	4.32	6.22	5.31	6.63	4.17	5.37	5.80

Note : Israel and Turkey excluded

### ***Policy Suggestions***

The enhancement of overall social capital is a must if Korea is to join the ranks of advanced countries, and the following actions should be taken:

1. Public confidence, which is the weakest part of all social capital elements of Korea, should be improved through an overall restructuring process of national systems such as government reform, establishment of judicial order, and prevention of corruption across the nation while incentives should be provided to individuals as well as communities by creating an environment where social contracts are respected.

2. The strength elements of Korea's social capital are private and public participation, the utilization of which should be expanded. It is essential to have good communication across the society for both personal and public participation to contribute to the enhancement of social capital.

3. A government body exclusively for the promotion of social capital should be set up to improve the overall competitive edge of the constituting elements of social capital. Policies should be enforced by relevant government agencies simultaneously to expand social capital of the nation as a whole.

## **III. North Korean Issues**

### **1. Characteristics of N. Korea's Latest Economic Policy and its Implication**

#### ***Strengthening Discussion on Unification***

The atmosphere for building the groundwork for Korean unification by improving the two Korea's relationship is being created with the changing economic policies under the KIM Jung Un regime and with President Park Geunhae's view that "unification

means jackpot.” N. Korea is currently promoting and accelerating reform and opening-up policies internally as well as externally in order to build its economic power by attracting foreign investment and by improving people’s living standard. President Park stressed in her 2014 New Year press conference that unification is ‘an opportunity for a great take-off for Korea’, focusing on the economic implications of Korean unification. This report, therefore, attempts to assess how helpful the changes of N. Korea’s economic policies are to the ideal unification of Korea, and propose several recommendations.

### ***Characteristics of N. Korea’s Latest Economic Policies***

1. The cabinet government system has been reinforced to ensure the improvement of people’s living standard and enhancement of economic achievement with a positive discrimination policy in favor of economic bureaucrats. The power of economy-related cabinet ministers has been substantially strengthened and is now recognized as a virtual ‘headquarters for economic affairs.’ The First Secretary KIM Jung Un urged in his statement dated April 6, 2012 to centralize the power to enforce economic policies as decided by the cabinet and transfer responsibility for the nation’s monetary policy to the cabinet to ensure the effective enforcement of economic policy without failure. PARK Bong ju, the Prime Minister and the majority of government officials who were in charge of the ‘July 1st, 2002 Measures to improve economic management’ and who led the reform and opening-up policies were re-appointed to implement new policies with positive motivational forces.

2. Enhancement of productivity was encouraged by introducing an open market economy and competition system in the areas of agriculture and enterprises. The purpose of the June 28 agricultural reform was to improve productivity of cooperative farms through reforms focusing on the improvement of the production unit management system and expansion of autonomy in harvest management. The December 1st enterprises reform also provides

factories and enterprises the autonomy to decide what to produce, how much to charge for the products, how to market, and how to distribute the profits.

3. Laws and regulations such as the ‘Economic Development Zone Act’ were modified and government agencies were reorganized to attract more foreign investment and increase exports while expanding the designation of special zones. Relevant laws and regulations were modified to guarantee 3 Freedoms (freedom of passage, freedom of communication, and freedom of customs clearance) to re-activate activities for attracting foreign investment. Meanwhile, groundwork was prepared for each provincial government to promote inward foreign investment based on a single legislation - the Economic Development Zone Act. Furthermore, government agencies related to attracting foreign investment including ‘the Committee of National Economic Development’ were reorganized, and small-scaled economic special zones were newly designated to cater for industry-specific demands.

### ***Assessment of the Latest N. Korean Economic Policies***

N. Korea’s recent economic policies appear to be focusing on strengthening promotion of domestic economic reform as well as expanding opening-up policies externally:

1. N. Korea has recently strengthened its cabinet government system to achieve an improvement in people’s living standard, which is part of N. Korea’s version of the ‘policy separating economy from politics’. This also appears to be an attempt to maintain consistency of economic policies. N. Korea’s policy of putting economic recovery first will help narrow the gap between the two Koreas and revitalize regional economies, eventually reducing the cost for unification borne by S. Korea.

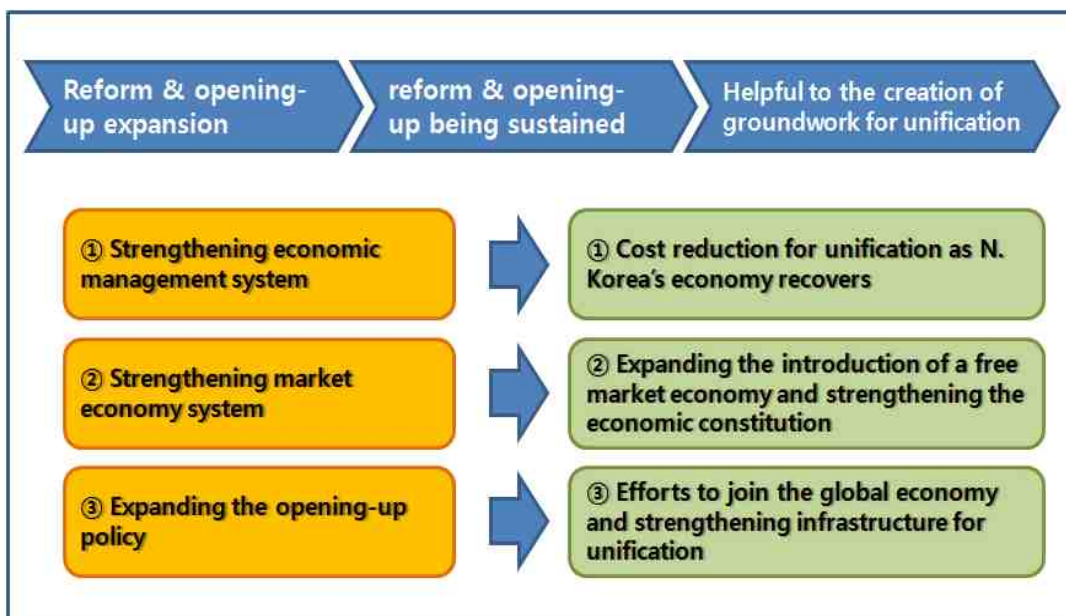
2. Strengthening the market economy system such as expanding the introduction of incentives and autonomy is thought to be an attempt to overcome the limitation of the existing centrally-determined economy. Expansion of the market economy is



helpful to the revival of agricultural and light industries in the short term, strengthens the economic constitution and prepares the foundation for the acceleration of industrial structure. Furthermore, a gradual introduction of a market economy will help alleviate any adverse effects in the aftermath of the changeover to the market economy and will contribute to the reduction of ‘the systemic unification cost’: the cost to unify different systems existing in both Koreas.

3. Legislation of the Economic Development Zone Act and nationwide expansion of tailored-made special economic zones are assessed to be positive and realistic policies to attract foreign investment. Modification of laws and reorganization of systems to meet international standards would help N. Korea secure capital expansion with inward foreign investment and thereby eventually joining the global economy. Policy for small-scale and tailor-made special economic zones will contribute to the expansion of regional production bases, and the improvement of industrial infrastructure will also help create positive conditions for unification.

< Affects of N.Korea’s Latest Economic Policies on Creation of Groundwork for Unification >



***Policy Suggestions***

The following efforts should be made in order for the changes in N. Korea's economic policy to be sustainable and to contribute to the construction of infrastructure for unification:

1. A measured increase in economic cooperation between the two Koreas is essential to ensure N. Korea to be successful with its opening-up policy for foreign investment and to stabilize the expansion of the opening-up policy.

2. It is recommended that S. Korea initiates preemptive investment in N. Korea to encourage N. Korea to continue and accelerate its opening-up policy.

3. Minimum humanitarian aid should be provided to the North and cultural exchanges between the two Koreas should be resumed and expanded to restore mutual trust and national homogeneity.

4. An integrated plan should be prepared in advance to reduce and deal with conflicts between the two Koreas in consideration of future unification.

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**[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	2.6	2.8
Euro Region	-0.6	-0.1	-0.3	-0.1	-0.5	-0.4	-0.2	0.3	0.1	0.3	1.2
Japan	2.0	3.7	-1.7	-3.1	-0.2	1.7	4.8	3.9	1.1	1.0	1.4
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 April 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			2014(E)
			the first half	the second half	Annual	
National Account	Economic Growth rate (%)	2.3	2.4	3.5	3.0	3.6
	Private Consumption (%)	1.9	1.9	2.1	2.0	2.5
	Construction Investment (%)	-3.9	6.4	7.0	6.7	2.6
	Facility Investment (%)	0.1	-8.3	6.2	-1.5	5.4
Foreign Trade	Current Account (100 million Dollars)	508	313	486	799	790
	Exports (100 million Dollars) [Increase rate, %]	5,479 [-1.3]	2,765 [0.5]	2,832 [3.8]	5,596 [2.1]	5,836 [4.3]
	Imports (100 million Dollars) [Increase rate, %]	5,196 [-0.9]	2,565 [-2.9]	2,591 [1.4]	5,156 [-0.8]	5,381 [4.4]
Consumer Price (Average, %)		2.2	1.4	1.2	1.3	1.7
Unemployment rate (Average, %)		3.2	3.4	2.9	3.1	3.6

### 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	138
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

## Current Status

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 its own businesses such as business consulting, education and training service, and knowledge-content business.

## Main Research Topics

HRI is mainly composed of four divisions. The major working areas of each part are as following :

**Research Sector** deals with the macroeconomic issues relating to domestic-and-international economy as well as the industrial trends and issues. Reunification Economy Center is one of its sub-sectors, specialized in both the North Korean political and economic issues.

**Business Consulting Sector** devotes to helping domestic and international companies improve their competitiveness by providing strategic solutions.

**Knowledge-Business Sector** produces a great deal of invaluable online-and-offline contents such as educational videos and reading materials.

**Human Resource Development and Education Sector** provides HR development consulting services to companies for improved talent management, and also provides educational services such as training and lectures.

## Messages to Future-Cooperation Partner

HRI is prepared for cooperation and coworks with your institute, especially in the field of survey, economic trend analysis and business consulting. For more information on cooperation, please contact us.

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