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# HRI Quarterly Economic Review

I. Economic Issues Facing Korea
II. North Korean Issues
[Annex] Domestic and Global Economic indices

Hyundai Research Institute

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and human resource development
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Gross national income (GNI) is a leading indicator showing an economy's phase of development. In 2013, GNI per capita averaged nearly USD 50,000 (precisely USD 49,357) for 25 of the 34 industrialized member states that comprise the OECD countries, excluding low-income countries in Eastern Europe and Central and South America. GNI per capita of USD 50,000 is above average for this bloc of developed countries and is at the top end of the range. Of note, only 10 OECD countries including Norway, Australia and the US had a GNI per capita exceeding USD 50,000 in 2013. After passing the USD 30,000 mark in 2015, Korea's GNI per capita should increase at a difference pace depending on the scenario of economic growth, which is assumed to be a key variable affecting GNI per capita in our simulation. In a base-case scenario where Korea's potential growth rate is maintained at the current mid-3% range, GNI per capita should hit USD 40,000 in 2021 and USD 50,000 in 2024, nine years after posting USD 30,000 in 2015.

### 『Growing Flow of Foreign Ttourists and its Economic Impact 』

Tourism is more effective than other industries in earning foreign currency. Tourism is also an important contributor to domestic demand growth and job creation. With increasingly more tourists from emerging Asian countries pouring in, the tourism industry is expected to play a more significant role in the Korean economy. In this report, we provide an estimate of inbound tourism demand in Korea in 2020 in connection with growth in emerging Asian economies and analyze its ripple effect on the domestic economy.

### 『Changing Quality of the Korean Middle Class Life』

Korea is about to enter the era of per capita GNI of USD 30,000 in 2015. But the middle class, which constitutes the economic backbone, is now thinner than it used to be and there is growing concern about crisis in the middle-income groups. In this report, we review the changing income and spending patterns of the middle class and derive political implications from that to recommend improvements to the quality of middle class life.

## 2. The North Korean Issues

The HRI Peace Index picked up for the first time in a year to 44.1 in the fourth quarter of 2014. The index showed that inter-Korean relations moved from the state of "tense relations" to "coexistence of cooperation and confrontation." The expectations index for the first quarter of 2015 was up 11.1p quarter-on-quarter to 51.8, demonstrating that experts turned more optimistic toward future inter-Korean relations.

# Ⅰ. Economic Issues Facing Korea

## 1. Preconditions for GNI per capita of USD 50,000

### *Meaning of crossing the USD 50,000 threshold*

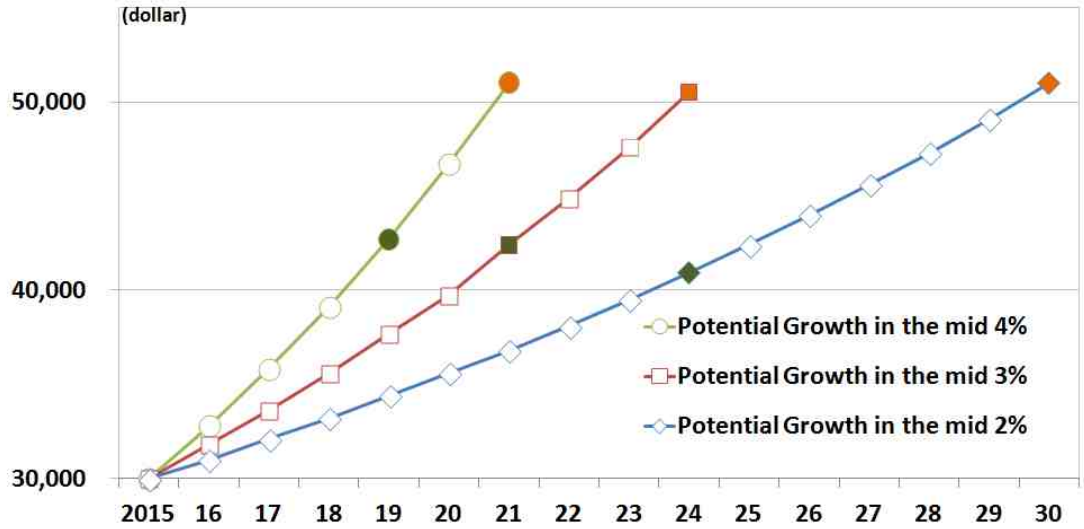
Gross national income (GNI) is a leading indicator showing an economy's phase of development. In 2013, GNI per capita averaged nearly USD 50,000 (precisely USD 49,357) for 25 of the 34 industrialized member states that comprise the OECD countries, excluding low-income countries in Eastern Europe and Central and South America. GNI per capita of USD 50,000 is above average for this bloc of developed countries and is at the top end of the range . Of note, only 10 OECD countries including Norway, Australia and the US had a GNI per capita exceeding USD 50,000 in 2013.

### *Outlook for reaching the USD 50,000 per capita GNI era for Korea*

Korea had a GNI per capita of USD 26,205 in 2013 based on the revised national account system. Hyundai Research Institute (HRI) estimates the figure will reach around USD 30,000 in 2015. While it did not take long for Korea to achieve USD 10,000 in GNI per capita, it will take more than two decades to advance from USD 10,000 in 1994 to USD 30,000 in 2015 due to a series of economic crises. After passing the USD 30,000 mark in 2015, Korea's GNI per capita should increase at a difference pace depending on the scenario of economic growth, which is assumed to be a key variable affecting GNI per capita in our simulation. First, in a base-case scenario where Korea's potential growth rate is maintained at the current mid-3% range, GNI per capita should hit USD 40,000 in 2021 and USD 50,000 in 2024, nine years after posting USD 30,000 in 2015. Second, in a worst-case scenario where the potential growth rate is assumed to fall 1%p to the mid-2% range, GNI per capita

should reach USD 40,000 in 2024 and USD 50,000 in 2030, 15 years after passing USD 30,000. Third, in a best-case scenario where the potential growth rate is assumed to rise to the mid-4% range, GNI per capita should reach USD 40,000 in 2019 and USD 50,000 in 2021, six years after hitting USD 30,000 in 2015.

**<GNI per capita forecast by scenario for potential economic growth rate>**




Source: Hyundai Research Institute

## *Preconditions for GNI per capita of USD 50,000*

For a country to achieve a GNI per capita of USD 50,000, the first precondition is to build a new economic growth model that provides mid- to long-term economic development. While the existing models pursued growth driven by input quantity, the Korean economy needs a new growth model prioritizing efficiency. Contribution to Korean economic growth due to growth in total factor productivity (TFP), a measure of efficiency, stood at 2.7%p in the period before the financial crisis (1998-2008), but plunged to 1.6%p in the post-financial crisis period (2009-2013). Furthermore, an economic model is needed which is aimed at ensuring internal stability, rather than chasing top-line growth as measured by total economic output. The Korean economy is confronted with some limitations posed by the export-driven growth model. Of note,

44.7% of the value added earned by Korean exporters flew outward , 21.6%p higher than the 23.1% average of strong export countries such as China, Germany, Japan and the US. The Korean economy's growth potential is undermined by a blocked distribution of value added through employment, operating surplus and taxes.

Second, a supply-demand mechanism that ensures volume input of production factors, such as capital and labor, needs to be in place. Slow accumulation of capital stock is a major cause of eroding growth potential of the Korean economy. Korea's net capital stock of fixed assets grew 14.9% per annum before the Asian currency crisis but the growth considerably slowed to 11.3% after the crisis and to 3.5% after the global financial crisis. As such, Korea's capital stock, which is a source of future economic growth, is being depleted. Furthermore, an absolute lack of labor force (decline in working age population) poses a major obstacle to future economic growth and this requires attention. Korea's working age population as a percentage of the total population started to decline after peaking (73.1%) in 2012. The absolute size of the working age population is forecast to drop rapidly after reaching a peak (37.04 million) in 2016.

Third, sustainable innovation of productivity is required to provide a new impetus for growth. Productivity needs to replace price as the main source of an industry's competitiveness. Meanwhile, Korea's manufacturing industry is now in a critical phase with rivals in China and other emerging countries catching up whilst lagging behind developed countries. The weakening competitiveness of Korean manufacturers is attributed mainly to high production factor costs and the resulting low productivity. Korea's labor productivity per working hour (as measured by GDP per working hour) stood at USD 25 in 2010, half of that of Germany and the US and two thirds of Japan. While inherent problems in the labor market could be a cause, there has been a slackening of efforts to move to a more high-value added product mix and to improve productivity. In particular, the service industry's productivity is relatively low. The Korean service industry's productivity was equal to just 47.1% of the

manufacturing industry in 2013. The figure has continued to drop sharply from 67.2% in 2004 and there is little sign of improvement, which is particularly worrisome.

Fourth, in an ever-changing global industry landscape, widespread technological innovation is critical to secure market competitiveness and to enhance efficiency of the production system. While greater and more efficient investment in research and development (R&D) is crucial for technological innovation, both are still too low in Korea. Korea's R&D spending-to-GDP ratio was 4.36% in 2012, which is among the highest in the world. Nonetheless, the R&D outcome is still insignificant, which is due to a lack of an absolute amount of investment, the time lag between R&D investment and its observable impact and overall investment inefficiency. In particular, concentration of R&D inputs in the manufacturing and IT industries hinders technological innovation from spreading across the economy. In 2011, the Korean manufacturing industry's R&D investment amounted to KRW 33.4 trillion, which accounted for 87.5% of the total spend, worth KRW 38.2 trillion. In contrast, the service industry's R&D spending came in at KRW 3.4 trillion, less than 10% of the total.

Fifth, a sound and resilient economy is essential to fend off internal or external shocks and to remain on a growth trajectory. The Korean economy suffered a sharp decline in potential growth rate whenever there were internal or external stresses, and the pre-stress level was not restored. HRI's calculation based on the revised national account system shows that the Korean economy's potential growth rate slid from 4.9% to 3.5% after the global financial crisis. Before crossing the GNI per capita threshold of USD 50,000, the Korean economy may have to endure many shocks amid structural unrest in the global economy. While domestic demand is supposed to act as a safety net, it is very fragile as well. Most of the world's major economies carried out debt reduction, or deleveraging, but Korea has not yet deleveraged. The household debt-to-disposable income ratio of 160.7% in 2013 was above the OECD average of 137.8%. The debt burden will likely weigh on recovery of

domestic demand in the short term. From a longer-term perspective, a possible bursting of the debt bubble may pose a threat to the Korean economy. In the event of global shocks, the household debt may amplify the impact of the crisis on the Korean economy.

Sixth, the principles of market competition and fair game rules must be respected to optimally spread benefits across the economy. To drive the economy in the right direction, individual units in an economy, such as households, business firms and the government, must refuse to cater to populist economic agenda. People of the current generation must not promote their own interests at the expense of future generations. But the socioeconomic environment still poses a barrier to widespread adoption of free-market competition principles. In terms of market regulations, the economic freedom index placed Korea at 90th place in 2014 with a scoreo f 6.9 out of 10. Furthermore, there is an absence of a supply-demand market mechanism that adheres to the fair rules of efficient market operation. For example, the number of industries under monopolistic or oligopolistic control was on the rise from 43 in 2005-2009 to 47 in 2006-2010 and to 59 in 2007-2011.

Seventh, rich social capital is essential to promote economic development and to mitigate ill effects of economic growth. Social capital serves to spur economic development by improving efficiency of the economy. Korea's social capital index scored 5.07, far below the OECD average of 5.80. That ranks Korea 29th among the 32OECD member states, showing a clear lack of social capital. Meanwhile, Korea's national integrity level doesnot match its prominent presence in the global economy. Korea ranked 43rd out of 175 countries, with a score of 55 out of 100, in the 2014 Corruption Perceptions Index(CPI) compiled by Transparency International. Korea was placed only 27th among the OECD countries.

## *Policy Suggestions*

To achieve GNI per capita of USD 50,000, the following preconditions

must be met: First, Korea needs to build a new economic growth model with better efficiency, a clear forward-looking orientation and a high degree of feasibility. Second, to make the economy immune to internal or external shocks, it needs to secure economic stability by improving the soundness and resilience of the economy. Third, provision of a new impetus, such as deregulation and more active economic participation, to aid factors of production will help raise the economy's growth potential. Fourth, productivity's progression is required across economic sectors, achievable via implementation of innovative production structures in the broader manufacturing industry and widening of channels to accelerate inter-industry distribution of efficiency gains. Fifth, a perfectly competitive market, which obeys fair market principles, should be pursued. Sixth, the paradox of Korea's R&D practices needs to be dealt with via efficient R&D investment. Seventh, the economy's inefficiency should be rapidly stamped out. To that end, social capital needs to be bolstered via improvement in confidence between economic units and the severing of corruption.

## 2. Growing Flow of Foreign Tourists and its Economic Impact

### *Economic impact of tourism industry*

Tourism is more effective than other industries in earning foreign currency. Tourism is also an important contributor to domestic demand growth and job creation. With increasingly more tourists from emerging Asian countries pouring in, the tourism industry is expected to play a more significant role in the Korean economy. In this report, we provide an estimate of inbound tourism demand in Korea in 2020 in connection with growth in emerging Asian economies and analyze its ripple effect on the domestic economy.

## Latest Trend of Tourism industry

Foreign tourist flow to Korea has been soaring recently. The number of inbound arrivals in Korea surpassed the previous high of 12.17 million seen in 2013 to reach a new high by crossing the 14 million mark in 2014. In particular, the proportion of visitors from emerging Asian countries is increasing. In the past, tourists from Japan and advanced Asian countries used to account for more than half of the total arrivals in Korea (50.5% in 2005). But the proportion of visitors from emerging Asian countries has continued to rise to reach a record 56.5% in 2014. Outbound tourism demand from emerging Asian countries is expected to keep increasing given their huge population size reaching about 410 million, and strong economic growth trend.

## Growing foreign tourist flow and economic impact outlook

We estimated the number of inbound arrivals in Korea from emerging Asian countries using the correlation between income and international tourism demand. We then analyzed the correlation between a country's income level and the outbound tourist ratio (the number of outbound tourists divided by the total population). Our analysis shows that the greater the per capita income of a country, the higher the demand for outbound tourism. Based on the results, we estimated potential international tourism demand from emerging Asian countries through 2020, using per-capita income of each country as a variable. We calculated potential tourist arrivals in Korea by applying Korea's share as a tourist destination in each country. We estimated foreign tourists' total expenditure in Korea based on the number of visitors and the average expenditure per person. We also provide a detailed picture of its economic impact using inter-industry analysis.

According to the world population projection by the United Nations, the population size of emerging Asian countries should reach 3.67 billion in 2020, of which 580 million people are likely to go abroad for tourism. Backed by growing income levels, the number of arrivals in Korea from those countries is forecast to rise to 15 million in 2020, of which more than 10 million should come from China and about 5 million from other emerging Asian countries. The impact of more tourists from emerging Asian countries are estimated at KRW 80.5 trillion in terms of production, KRW 37.5 trillion in terms of value added and the creation of 1.05 million jobs by 2020, with nominal GDP contribution of about 1.7%.

Assuming the number of tourist arrivals from developed and emerging countries increases at the current pace, total foreign tourist flow to Korea should increase to 23 million in 2020, spurred by growth of emerging Asian economies. Of the 23 million arrivals, 15 million are expected to come from emerging Asian countries, 1 million from other emerging countries and 7 million from developed countries. More foreign tourist flow to Korea is forecast to induce production worth KRW 117.2 trillion, value-added [service??] worth KRW 54.5 trillion and 1.53 million jobs in 2020, with nominal GDP contribution of about 2.5%.

**< Inbound arrivals in Korea in 2020 and economic impact >**

| | Inbound arrivals to Korea (10,000 people) | | Production inducement (KRW trillion) | | Value added inducement (KRW trillion) | | Employment inducement (KRW jobs) | |
|---|---|---|---|---|---|---|---|---|
| | '13 | '20(E) | '13 | '20(E) | '13 | '20(E) | '13 | '20(E) |
| Emerging Asian countries | 589 | 1,500 | 16.7 | 80.5 | 7.8 (0.5%) | 37.5 (1.7%) | 22 | 105 |
| Other emerging countries | 80 | 100 | 5.9 | 16.5 | 0.2 (0.0%) | 0.7 (0.0%) | 1 | 2 |
| Developed countries | 539 | 700 | 14.0 | 35.0 | 6.5 (0.5%) | 16.2 (0.7%) | 18 | 46 |
| Total | **1,217** | **2,300** | **31.3** | **117.2** | **14.5 (1.0%)** | **54.5 (2.5%)** | **41** | **153** |

Note: Numbers in brackets mean value-added as a percentage of GDP
Source: Hyundai Research Institute

### *Policy Suggestions*

The following conditions must be met before Korea has 23 million inbound tourists (with 15 million of them likely coming from emerging Asian countries). First, efforts must be made to attract more visitors from the emerging Asian world, including China and the Southeast Asian countries. They should emerge as a major customer in the Korean tourism industry in the future. Second, more diverse and better quality products and services are essential to attract more inbound tourists to revisit Korea. Third, to boost tourism expenditure per person, a strategy targeting independent (non-group) travelers is needed. Fourth, to vitalize tourism outside Seoul, a diverse range of products reflecting the characteristics of each part of the country needs to be introduced. Fifth, to offer customized tourism services, a platform or application should be developed based on standardized and systemized tourist information data.

## 3. Changing Quality of the Korean Middle Class Life

### *Crisis of the middle class*

Korea is about to enter the era of per capita GNI of USD 30,000 in 2015. But the middle class, which constitutes the economic backbone, is now thinner than it used to be and there is growing concern about crisis in the middle-income groups. In this report, we review the changing income and spending patterns of the middle class and derive political implications from that to recommend improvements to the quality of middle class life.

## *Changing quality of the middle class life in Korea*

In this report, we analyzed two income components (income and employment) and four expenditure items (housing, education, leisure and healthcare) for the period 1990 through 2013. We compared the statistical data by income bracket to observe changes in the quality of middle class life.

**Our analysis suggests that gross income increased and employment conditions improved for the Korean middle class over the period.**

1) Income: The middle class's gross income grew 7.0% per annum during 1990-2013, the biggest growth of all income groups. The ratio of households in deficit declined recently in the middle class, indicating an improvement in household finances.

2) Employment: As more householders were employed, the proportion of families with an unemployed householder fell from 9.9% to 8.5% in the middle class over the period. The share of double-income families more than doubled from 15.1% to 37.9% in the middle class amid the increasing employment of women, suggesting that overall job market conditions improved.

**Regarding expenditure, the middle class's life quality worsened in terms of housing, education, and leisure while it improved in healthcare.**

1) Housing: The middle class's jeonse price grew by 11.8% per annum during 1990-2013, and that was the biggest increase of all income groups. The jeonse price stood at 3.1 times the household disposable income, up from1.1times, showing that the jeonse payment burden rose considerably. Housing space per person averaged 21.3㎡ for the middle class in 2013, smaller than that of low (24.6㎡) and high (26.5㎡) income households.

2) Education: The share of education in the middle class's total consumption expenditure reached 20.9% in 2013, up from 13.4% in

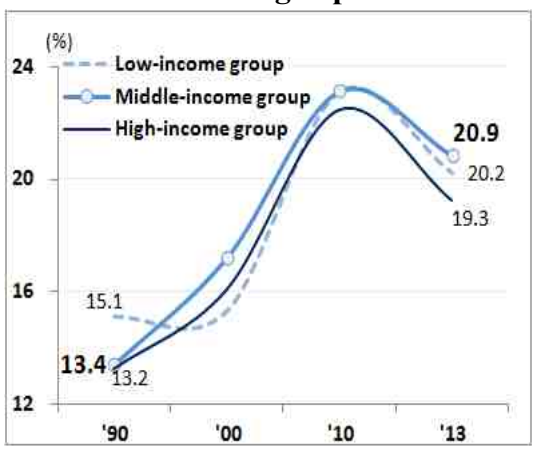
1990, larger than that of low (20.2%) and high (19.3%) income households. A 7.5%p expenditure rise of the middle class was the biggest of all income groups.

3) Leisure: The share of recreation and culture in the middle class's total consumption expenditure fell by 0.6%pt from 5.9% in 1990 to 5.3% in 2013, indicating a relative spending cut on education.

4) Healthcare: The share of healthcare in the middle class's total consumption expenditure shrank by 0.1%pt from 6.5% in 1990 to 6.4% in 2013 while it increased in other income groups. The middle class's healthcare spending also fell on a relative basis. In 2013, per capita healthcare expenditure amounted to KRW 559,000 for the middle class, less than that of low (KRW 599,000) and high (KRW 830,000) income households.

**<Jeonse payment burden of the middle class>**


**<Education spending share by income group>**




Source: Hyundai Research Institute (calculated using Korea Statistics' household survey data)

Note: Based on urban households with two or more individuals

## Policy Suggestions

Raising income levels is necessary to improve the quality of middle class life. But what is more urgent is to reduce excessive expenditure burdens and to allow the middle-income households to spend more on leisure. To that end, the following is required: First, more housing supply and more favorable loan conditions are needed to ease the middle class's jeonse or wolse(monthly rent) housing expenditure. Second, the public education programs and school environment need to improve in quality to curb excessive spending on private education by the middle class. Third, the public perception on leisure needs to change and diverse recreational/cultural products and services should be offered. That will allow the middle class to spend more time on leisure, which will lead to consumption growth.

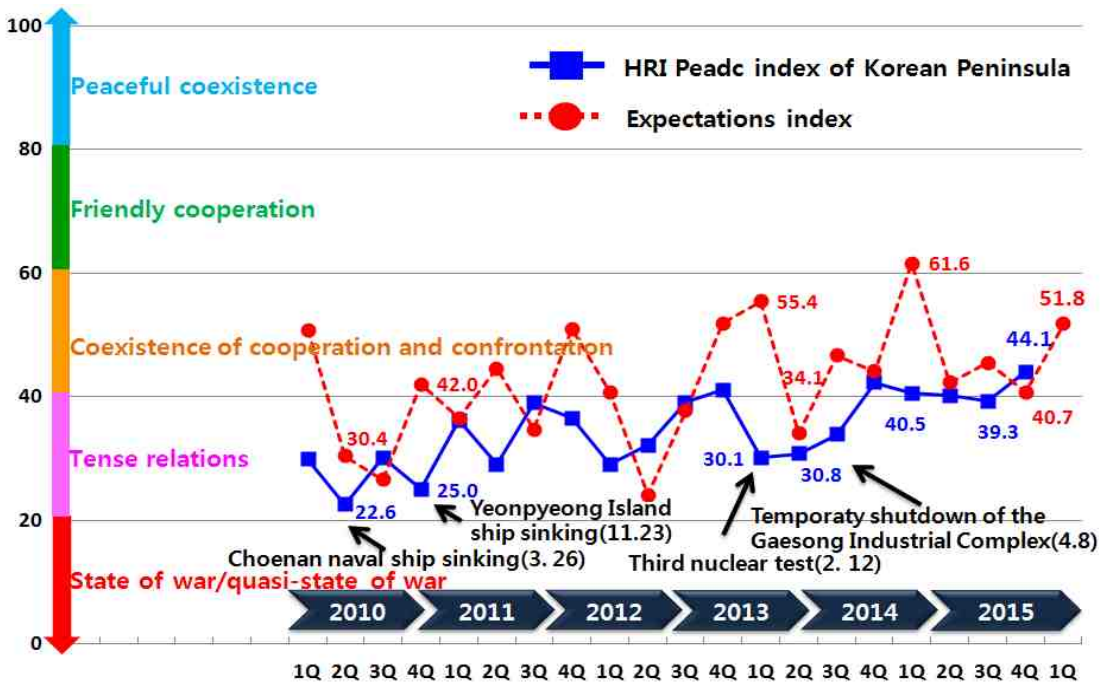
# Ⅱ. North Korean Issues

## 1. HRI Peace Index Outlook in Q1 2015: Bolstered expectations for better inter-Korean relations

### *Overview*

The HRI Peace Index picked up for the first time in a year to 44.1 in the fourth quarter of 2014. The index showed that inter-Korean relations moved from the state of "tense relations" to "coexistence of cooperation and confrontation." The expectations index for the first quarter of 2015 was up 11.1p quarter-on-quarter to 51.8, demonstrating that experts turned more optimistic toward future inter-Korean relations.

**< 2010-2015 HRI Peace Index trends >**



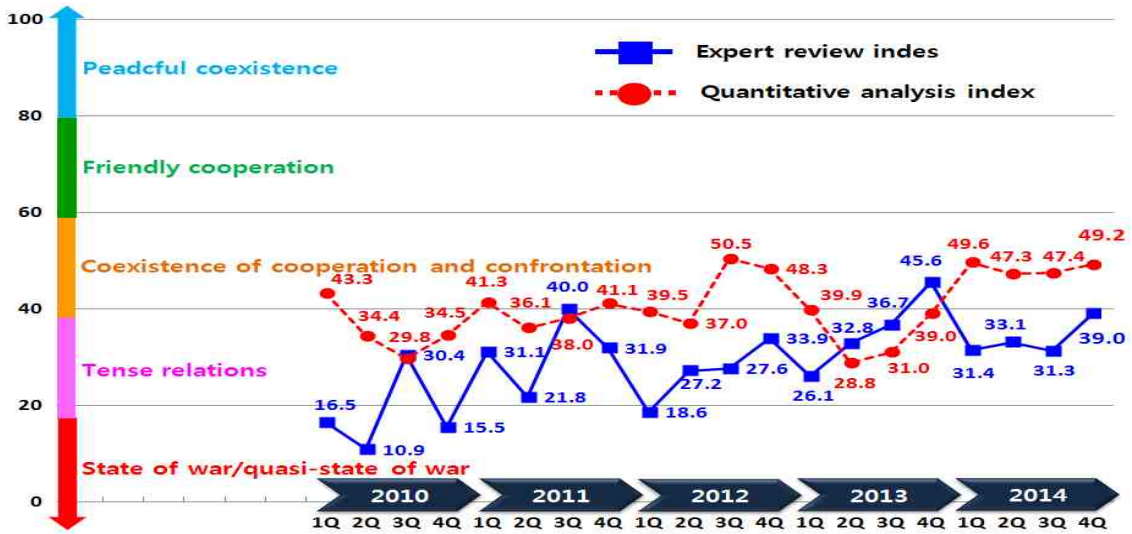
## Main highlights

Main highlights of the HRI Peace index for the fourth quarter of 2014 and the expectations index for the first quarter of 2015 are as follows:

First, the expert review index and the expectations index, based on subjective analysis, gained relatively more than other metrics: the quantitative analysis index, which is based on objective analysis of statistical data, climbed a mere 1.9p. Meanwhile, the sentiment indices gained more with the expert review index up 7.7p and the expectations index up 11.1p. We attribute this to upbeat expectations fueled by a visit to South Korea by three of Pyongyang's senior officials. Furthermore, leaders of the two Koreas proposed to hold a joint ceremony in commemoration of the 70th anniversary of the liberation of Korea and to provide a turning point for inter-Korean relations in their New Year's messages.

Second, the quantitative analysis index, based on objective analyses, continued its uptick trend with growth accelerating for the inter-Korean economic cooperation project, (the Gaesong Industrial Complex), moving from 12.2% in the third quarter of 2014 to 16.2% in the fourth quarter. Meanwhile, the index was weighed by North Korea's criticism of the anti-Pyongyang leaflets sent across the border, inter-Korean conflicts and a failed attempt to hold a senior officials' meeting between the two Koreas.

< 2010-2014 expert review index and quantitative analysis index trends >




Third, experts took a more positive view of inter-Korean relations regardless of their political inclination. In particular, the progressive expert index improved the most thanks to expectations for upcoming landmark events, such as the 70th anniversary of the liberation of Korea and the 15th anniversary of the June 15 North-South Joint Declaration, as well as hopes for momentum for better inter-Korean relations amid the absence of a nationwide election in 2015.

<Expert review index by political inclination>

| | Conservatives | | Moderates | | Progressives | | Expert review index | HRI Peace Index | Expectat-ions index |
|---|---|---|---|---|---|---|---|---|---|
| | Current | Forecast | Current | Forecast | Current | Forecast | | | |
| 4Q2014 | 39.0 (▲2.4) | 53.9 (▲7.7) | 39.5 (▲5.2) | 47.3 (▲5.2) | 39.4 (▲15.0) | 55.4 (▲20.0) | 39.0 (▲7.7) | 44.1 (▲4.8) | 51.8 (▲11.1) |
| 3Q2014 | 36.6 (▲4.0) | 46.2 (▲1.1) | 34.3 (▽1.4) | 42.1 (▽4.3) | 24.4 (▽7.1) | 33.4 (▽11.0) | 31.3 (▽1.8) | 39.3 (▽0.3) | 40.7 (▽4.8) |
| 2Q2014 | 32.6 (▲1.5) | 45.1 (▽0.9) | 35.7 (▲4.6) | 46.4 (▲3.4) | 31.5 (▲5.2) | 44.4 (▲3.2) | 33.1 (▲1.7) | 40.2 (▽0.3) | 45.5 (▲3.2) |
| 1Q2014 | 31.1 (▽10.8) | 46.0 (▽12.2) | 31.1 (▽14.9) | 43.0 (▽20.1) | 26.3 (▽21.2) | 41.2 (▽21.4) | 31.4 (▽14.2) | 40.5 (▽1.8) | 42.3 (▽19.3) |
| 4Q2013 | 41.9 (▲6.9) | 58.2 (▲16.7) | 46.0 (▲6.5) | 63.1 (▲15.9) | 47.5 (▲12.4) | 62.6 (▲20.1) | 45.6 (▲8.9) | 42.3 (▲8.4) | 61.6 (▲17.5) |

## Policy Suggestion

With both sides acknowledging the need for better inter-Korean relations, efforts should be made to achieve "material outcome" by creating a mood for dialogue.

First, more aggressive and pre-emptive efforts are needed to bring North Korea to the dialogue table and to show the South Korean government's sincerity about improving inter-Korean relations. In particular, experts are pinning high hopes on the 70th liberation anniversary. If the ceremony is held jointly, it should provide a momentum for better relations. The opportunity should not be wasted.

Second, an interim and test program needs to be structured to restore mutual confidence and to work together in sincerity. For example, Seoul could stop activists from floating propaganda leaflets while Pyongyang may agree to make the reunions of war-separated families a regular event, albeit only temporarily before a possible joint commemoration of Liberation Day.

Third, more active economic cooperation initiated by the private sector can work to build a foundation of mutual prosperity and to promote North Korea's reform and opening. With Kim Jong-un in power, North Korea is moving toward reform and attempting to open up doors to the outside in a struggle to attract more foreign investment. At this point, it is critical to create an environment to keep the change moving forward and to accelerate the pace of that change. For example, a multilateral economic cooperation project could be implemented in the border areas linking the Korean Peninsula with China or Russia. Furthermore, inter-Korean economic cooperation could be pushed ahead in connection with North Korea's plans to build economic development zones.

# [Annex] Domestic and Global Economic Indices

## ☐ Global Growth Rate

| Category | 2013 | | | | | 2014 | | | | | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Annual | 1/4 | 2/4 | 3/4 | 4/4 | Annual | 1/4 | 2/4 | 3/4 | 4/4 | Annual(E) |
| US | 2.2 | 2.7 | 1.8 | 4.5 | 3.5 | 2.4 | -2.1 | 4.6 | 5.0 | 2.6 | 3.6 |
| Euro Region | -0.4 | -0.2 | 0.3 | 0.1 | 0.3 | 0.8 | 0.3 | 0.1 | 0.2 | - | 1.2 |
| Japan | 1.5 | 1.5 | 0.7 | 0.4 | -0.4 | 0.1 | 1.4 | -1.7 | -0.5 | - | 0.6 |
| China | 7.7 | 7.7 | 7.5 | 7.8 | 7.7 | 7.4 | 7.4 | 7.5 | 7.3 | 7.3 | 6.8 |

Note: 1) IMF figures of January 2015 for 2015 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 | | 2013 | 2014 | | | 2015(E) |
|---|---|---|---|---|---|---|
| | | | the first half | the second half(E) | Annual(E) | |
| National Account | Economic Growth rate (%) | 3.0 | 3.7 | 3.6 | 3.6 | 3.6 |
| | Private Consumption (%) | 2.0 | 2.0 | 2.6 | 2.3 | 2.8 |
| | Construction Investment (%) | 6.7 | 1.9 | 1.8 | 1.9 | 3.0 |
| | Facility Investment (%) | -1.5 | 7.6 | 3.9 | 5.7 | 5.1 |
| | Intellectual Property Investment(%) | 7.3 | 6.5 | 5.9 | 6.2 | 7.1 |
| Foreign Trade | Current Account (100 million Dollars) | 799 | 392 | 408 | 800 | 680 |
| | Exports (100 million Dollars) [Increase rate, %] | 5,596 [2.1] | 2,833 [2.5] | 2,936 [3.7] | 5,770 [3.1] | 6,023 [4.4] |
| | Imports (100 million Dollars) [Increase rate, %] | 5,156 [-0.8] | 2,631 [2.6] | 2,705 [4.4] | 5,336 [3.5] | 5,597 [4.9] |
| Consumer Price (Average, %) | | 1.3 | 1.4 | 1.9 | 1.7 | 1.9 |
| Employment rate (15~64, Average, %) | | 64.4 | 65.0 | 65.6 | 65.3 | 66.2 |

## ☐ Economic Indicators of North Korea

| | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Per capita GNI (10,000 won) | | 103 | 104 | 114 | 119 | 124 | 133 | 137 | 138 | - |
| Amount of Trade by Year (USD million) | South-to-North | 830.2 | 1,032.6 | 888.1 | 744.8 | 868.3 | 800.2 | 897.2 | 520.6 | 1,136.2 |
| | North-to-South | 519.5 | 765.3 | 932.3 | 934.3 | 1,043.9 | 913.7 | 1,074.0 | 615.2 | 1,206.8 |
| | Total | 1,349.7 | 1,797.9 | 1,820.4 | 1,679.1 | 1,912.2 | 1,713.9 | 1,971.2 | 1,135.8 | 2,343.0 |

Source: THE BANK OF KOREA, Ministry of Unification.

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