

HRI Semiannual Economic Review

I . Economic Issues Facing Korea

II . 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 >

I . Economic Issues Facing Korea

『Korean Economy Lapses into ‘Uncertainty Trap’』

The volatility of the global financial market has risen considerably since Donald Trump was elected President of the USA. With increasing expectation for the economic recovery of the USA following the election of President Trump, stock prices in advanced countries have surged, while interest rates of the bond market have sharply increased due to the rising base interest rate. The value of the US dollar, which had continued to make gains since the election of President Trump, has plunged following the remark of President Trump on the value of the US dollar. The global financial market is likely to remain unstable with the policy uncertainty of the Trump administration, growing concern of trade conflict between the US and China, and Brexit and major elections in the Europe. The Hyundai Research Institute(HRI) has analyzed the impact of these global economic uncertainties combined with the increasingly uncertain politics of Korea on the Korean economy.

『Task of Promoting Business Startups by Young People in their 20s』

The government is actively encouraging young people to launch their own startups to create jobs and secure growth engine. It is doubtful, however, if startups by young people of the ages of 29 and younger will be activated. Startup support policies for legally-defined young people aged 39 and below are already in place with a good foundation. With their education incomplete and military service to be fulfilled, young people of the age of 29 or younger (hereinafter referred to as 20s), require different policy support from the policies for young people in their 30s. This research aims to make policy suggestions for activating startups by young people in their 20s by assessing 3 areas of startup activities, startup structure and startup support foundation.

『Risk for Entering the Age of 3 Highs』

The age of 3 highs refers to a period in which a high interest rate, high oil prices (prices of raw materials rising) and a high Korean won(strong won) coincide. It is unusual for the 3 highs to take place at the same time, which happens only when domestic and overseas factors coincide under the condition of co-movement of global economy and the international financial market. Considering the current economic situation of Korea, it is highly likely that entry into the age of 3 Highs will bring about far greater negative effects to the Korean economy than positive ones. The risks of 3 Highs delaying recovery of domestic demand and export business cannot be ruled out considering the current Korean economic standing where the depression of domestic demand persists and recovery of exports remains marginal, deteriorating household debts issue.

II . The North Korean Issues

『Creation of Foundation for Unified Economy through North-South Economic Cooperation』

New policy toward North Korea should be established to promote implementation of a peace settlement in the Korean peninsula despite the cut of all inter-Korean ties following North Korea's continued nuclear tests. A peaceful unification of Korea will provide both Koreas with enormous economic opportunities, such as an expanded Korean peninsula economic zone and realization of unified economic power. This research, therefore, examines the current status of inter-Korean relations and aims to propose directions for government's policies toward N. Korea for the realization of peaceful unification of the Korean peninsula.

I . Economic Issues Facing Korea

1. Korean Economy Lapses into ‘Uncertainty Trap’

Latest Global Financial Market Trend

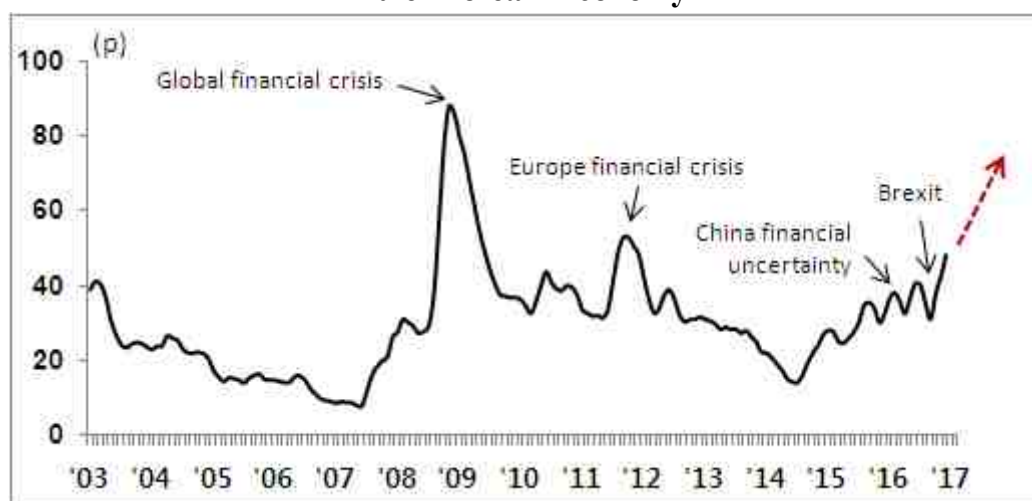
The volatility of the global financial market has risen considerably since Donald Trump was elected President of the USA. With increasing expectation for the economic recovery of the USA following the election of President Trump, stock prices in advanced countries have surged, while interest rates of the bond market have sharply increased due to the rising base interest rate. The value of the US dollar, which had continued to make gains since the election of President Trump, has plunged following the remark of President Trump on the value of the US dollar. The global financial market is likely to remain unstable with the policy uncertainty of the Trump administration, growing concern of trade conflict between the US and China, and Brexit and major elections in the Europe. The Hyundai Research Institute(HRI) has analyzed the impact of these global economic uncertainties combined with the increasingly uncertain politics of Korea on the Korean economy.

Impact of Global Economic Uncertainties on Korean Economy

(Global Major Uncertainty Index) Lately, overseas economic uncertainties are rapidly spreading. The uncertainty indices of the economic policies of the USA, China and Europe rose sharply in the second half of 2016, coupled with the growing volatility of the euro and the yen. However, the volatility index(VIX), an index showing the volatility of the stock market, is on the

decline although it showed a short-term surge. Korea's domestic uncertainty is also sharply increasing. Korea's economic policy uncertainty index reached a record high in the midst of Korea's impeachment of its president in the end of 2016. The implied volatility of the Korean won and US dollar exchange rate has also lately risen.

< **Estimates of Internal & External Uncertainty Indices Affecting the Korean Economy** >



Source : Estimated by Hyundai Research Institute.

Note : Irregular components eliminated by 3 month moving average of estimated uncertainty index.

(Estimates of Internal & external Uncertainties Affecting the Korean Economy) HRI estimated indices showing internal and external uncertainties affecting the Korean economy by principle component analysis based on key indices indicating Korea's domestic economic uncertainty. The uncertainty indicator hit the highest point of 87.6p in the global financial crisis and 52.8p in the European financial crisis. The latest uncertainty indicators soared by 10.3p from 37.7p in October to 48.0p in December 2016 due to the rising uncertainties of internal and external economic policies. It is a possibility that the index will reach a

higher level than that set in the previous European financial crisis and it may even go over the uncertainty index shown in the previous global financial crisis if the current situation persists. With delayed consumption and investment of businesses caused by growing uncertainty in economic recession, the Korean economy is feared to be likely to lapse into what is called an ‘uncertainty trap’, prolonging economic depression.

(Impact of Uncertainties on the Korean Economy) The economy of uncertainties both at home and abroad can dwarf the sentiments of households and businesses, and financial institutions may tighten up their lending criteria as a result, bringing negative effects on consumption and investment. Growing uncertainty about the future income of households will inevitably lead to a cut in current consumption for the security of the future and businesses will also delay their investments until a more favorable time. With uncertainty increasing risk premium, financial organizations are bound to apply stricter criteria when lending to households or businesses for safer credit management. The estimated uncertainty index actually shows a strong negative correlation between consumer sentiment index, BSI and lending sentiment index.

The analysis outcome of the estimated uncertainty index mentioned above and the Vector Autoregressive Model(VAR) consisting of key domestic economic variables indicates that the domestic industrial production index will drop by 5.6%p in 6 months’ time when the uncertainty index rises by 10p. With a tendency for greater volatility, the facility investment index in particular is estimated to fall by 7.4%p in 6 months while the retail sales index with relatively low volatility is estimated to drop by 1.5%p over the same period.

< **Estimated Impact on Korean Economy when Internal & External
Uncertainty Index rises by 10p** >

	Industrial Production Increase Rate	Facility Investment Increase Rate	Retail Sales Increase Rate
3 months after	-5.9%p	-6.4%p	-2.0%p
6 months after	-5.6%p	-7.4%p	-1.5%p
12 months after	-0.3%p	0%p	0.7%p

Source : Estimated by Hyundai Research Institute.

Note : Irregular components eliminated by 3 month moving average of estimated uncertainty index.

Policy Suggestion

1. Negative impact of growing uncertainty should be minimized by stopping the uncertainties from spreading throughout society and by maintaining consistency of economic policies.
2. Preemptive measures should be prepared by the government and businesses to counter the uncertainty of economic policies both home and abroad following the trade conflict between the USA and China.
3. The instability of financial markets home and abroad brought about by internal and external uncertainties should be prevented from spreading to the domestic real economy.

2. Task of Promoting Business Startups by Young People in their 20s

Research Background

The government is actively encouraging young people to launch their own startups to create jobs and secure growth engine. It is doubtful, however, if startups by young people of the ages of 29 and younger will be activated. Startup support policies for legally-defined young people aged 39 and below are already in place with a good foundation. With their education incomplete and military service to be fulfilled, young people of the age of 29 or younger (hereinafter referred to as 20s), require different policy support from the policies for young people in their 30s. This research aims to make policy suggestions for activating startups by young people in their 20s by assessing 3 areas of startup activities, startup structure and startup support foundation.

True Picture and Task of Startups by Young People in their 20s

1. The startups by young people in their 20s are running on empty.

① First of all, startups by young people in their 20s are falling. The total national number of startup businesses which survived their first year in business increased in 2015 by 6.4% compared to 2013, while startups by young people in their 20s dropped by 40.5%, and the number of startups surviving into second year in business sharply declined from 3.0% in 2013 to 0.9% in 2015.

② The survival length of startups founded by young people in their 20s is very short and the survival rate is also extremely low. Startups by this age group surviving three years in business or shorter accounted for an average of 88.1% (surveyed by the Small & Medium Business Administration) during the period of 2013 to 2015, considerably higher than the 60.8% average

survival rate of the total national startups and 69.1% of startups launched by young people in their 30s, which is mainly because the startups are launched by young people generally in their late 20s. The survival rates of new businesses started by young people in their 20s (surveyed in 2014 by the National Statistical Office) are 53.4% (first year in business), 36.9% (second year in business) and 26.6% (third year in business), substantially lower than the national average of 62.4% (first year), 47.5% (second year) and 38.8% (third year).

< Startups by Young People Surviving First Year in Business >

Section	%			Increase/Decrease ('13 vs '15)
	2013	2014	2015	
Age of 39 & below	25.5%	12.1%	19.0%	-8.1%
20s & below	3.0%	1.4%	0.9%	-40.5%
30s	22.5%	10.7%	18.1%	-4.6%
Total	100%	100%	100%	6.4%

Source : Calculation based on the survey conducted by the S&M Business Administration.

Note : % = Number of first-year-surviving startups created by relevant age-group/Total number of startups surviving first year in business.

< Technology-based Business Start-up(%) >

Section	Total	30s & below			
		30s & below	20s	30s	
Technology-based business	26.8	31.3	25.3	31.8	
Manufacturing	8.6	7.8	8.3	7.8	
Service Industry	Publishing, ICT, & others	1.0	1.4	1.7	1.3
	Facilities Management Business	1.4	1.4	1.2	1.4
	Expertise, Science, Technology	2.2	2.4	1.5	2.5
	Arts, Sports & others	4.5	4.6	4.3	4.6
	Hygienic Services, Social Welfare	3.0	3.1	1.6	3.2
	Education	6.1	10.7	6.7	11.0

Source : Calculation based on the survey conducted by the S&M Business Administration.

Note : Based on total number of businesses by industry for the period of 2013, 2014, and 2015.

2. It is difficult to expect 'renovation' and 'job creation' from startups launched by young people in their 20s, considering the structure of startup.

① Startups by people in their 20s are generally in service

businesses of subsistence type, the market entry of which is relatively easy. Key 5 business areas are wholesale/retail business (39.2%), lodging business and restaurant business (24.2%), which take up more than half of the total businesses, followed by manufacturing business (8.3%), education service (6.7%) and transportation service (4.1%). Compared with the total national startups, businesses created by young people in their 20s are engaged more in wholesale/retail business (national average 28.5%) and less in transportation business (national average 8.3%), while showing similar ratio in other areas.

② There are almost no innovative business startups created among all businesses launched by youth in their 20s (based on approval) and a generally lower ratio is shown in the creation of technology-based startups compared to those in their 30s. Only 0.3% of all startups created by people in their 20s were approved as innovative startups, such as venture enterprise, Inno-Biz and management innovation type business, far below the national average of 1.4% and the lowest of all age groups. The startups of technology-based business by people in their 20s (25.3%) is lower than those by people in their 30s (31.8%) and substantially lower in the public knowledge-based service than any other area. Startups by people in their 20s engaged in knowledge-based services related to the public sector such as hygiene, social welfare and education and other services are only 1.6% and 6.7% respectively compared to the 3.2% and 11.0% of the same startups launched by people in their 30s. In the manufacturing business, however, the figure of startups by people in their 20s (8.3%) is higher than the figure of startups by people in their 30s (7.8%).

③ The startups launched by people in their 20s are concentrated on businesses not so effective in job creation. The

national average number of employees per startup business for both 2014 and 2015 was 3.1 whereas the average of the startups by people in their 20s accounts for only 2.3, the lowest compared to 3.0 employees of people in their 30s, 3.3 of people in their 40s, 3.1 of people in their 50s and 2.8 of people in their 60s. Except for the manufacturing business, out of the 5 key startup businesses listed in the table above, the average number of workers employed per startup business created by people in their 20s in the 4 remaining key business sectors is fewer than 3.

3. Startups by people in their 20s have a weak financial infrastructure, such as fund-raising and fund recovery. The participation rate of the startups by people in their 20s in the government-sponsored startup support projects is very low (92% made no application). The low application rate for the government-led support projects is believed to be due to the late start of the startups by those in their 20s, which makes it more difficult to survive at the stage of take - off when they need to expand budgets. No startups by people in their 20s has ever been opened to the stock market, such as KOSDAQ, free board or KONEX. Therefore, business founders in their 20s are asking for more positive financial support related to fund-raising and taxation.

Suggestion: Request for startup support policy tailored to the needs of young people in their 20s.

1. Construction of a total service infrastructure encompassing all stages starting from preparations for startup, acquisition and sale of startups, and taking special circumstances of young people in their 20s into consideration.

2. Private sector-led creation of systems and favorable conditions to promote discovery and acquisition of promising startups to foster ‘startups by people in their 20s that are worth considering for acquisition’.

3. Development of a specialized startup support system to attract young people in their 20s to start up ‘technology-based and job-creating businesses’.

4. Operation of ‘Sandbox Zone’ offering an environment where young people can focus on the development of new products free from regulations governing startups.

5. Strengthening of the promotion of startup activities abroad from the early stage of startups for the development and expansion of success models of ‘startups by people in their 20s’.

3. Risk for Entering the Age of 3 Highs

Summary

① Significance of 3 Highs

The age of 3 highs refers to a period in which a high interest rate, high oil prices (prices of raw materials rising) and a high Korean won(strong won) coincide. It is unusual for the 3 highs to take place at the same time, which happens only when domestic and overseas factors coincide under the condition of co-movement of global economy and the international financial market.

② Impact of Entry into the Age of 3 Highs on the Korean Economy

Once entering the age of 3 highs, high oil prices may have a

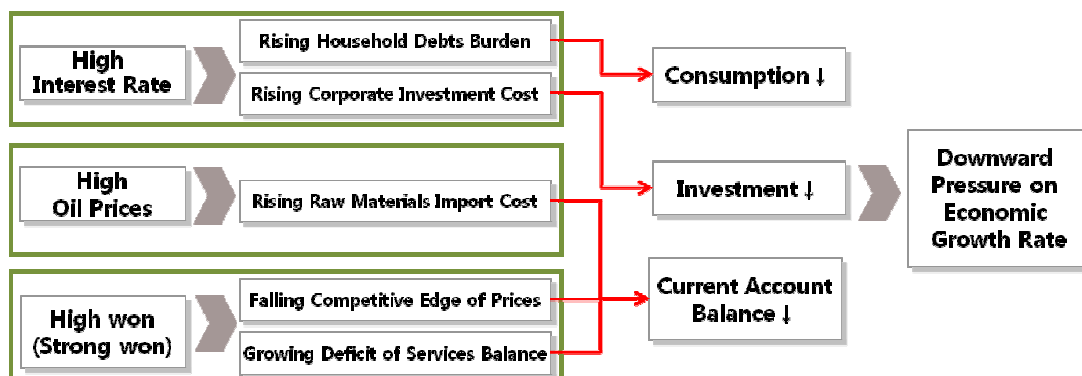
positive effect of helping exports recover to some extent with a rising export unit price and a strong Korean won may marginally enhance the purchasing power of households and businesses. However, it is feared that high oil prices and a strong won can basically act as factors to restrict economic growth with negative effects on both domestic consumption and current account balance.

(High Interest Rate) Rising domestic bank interest rates may delay recovery of consumption with increasing burden to repay the principal and interest for household debts, while at the same time hampering recovery of investment by businesses due to the rising cost of borrowing.

(High won) Appreciation of the Korean won may result in impeding recovery of exports due to the falling competitive edge of export prices and in expanding deficits of the tourism and service industries.

(High Oil Prices) Greater part of the increased portion of raw material prices will lead to increased imports deteriorating the balance of the current account as the demand for raw materials is inelastic to prices. Considering the current economic situation of Korea, it is highly likely that entry into the age of 3 Highs will bring about far greater negative effects to the Korean economy than positive ones. Even if Korea faces 3 Highs, the growth of the Korean economy will not be seriously affected if the fundamentals of the Korean economy are healthy and domestic consumption and exports perform without great difficulties. However, the risks of 3 Highs delaying recovery of domestic demand and export business cannot be ruled out considering the current Korean economic standing where the depression of domestic demand persists and recovery of exports remains marginal, deteriorating household debts issue.

< Negative Impact Route of 3 Highs >



Source : Estimated by Hyundai Research Institute.

Note : Irregular components eliminated by 3 month moving average of estimated uncertainty index.

Risk Checking Possibility of Entering the Age of 3 Highs

① High Interest Rates

(Entering the Age of Global High Interest Rate) The US economy, the world economy leader, maintains a trend of a rising interest rate, practically ending the age of a low interest rate and heralding the advent of the age of a high interest rate. The FED increased the federal fund rate in March 2017 yet again after the interest rate rise in December 2016. The age of a low interest rate looks set to end soon with the FED openly predicting that it will raise policy interest rate at least twice within this year.

(Direction of Korea's Policy Interest Rate) Pressure for a rise in Korea's policy interest rate will increase when the US maintains its policy line for a rising interest rate. However, considering past experiences, Korea's policy interest rate is expected to have staggered timing in comparison to that of the US. When we take the experience of the immediately preceding

rise in the policy interest rate of the US, we can estimate that Korea's rise in the policy interest rate may take place between the second half of this year and the first half of next year at the latest.

(Direction of Korea's Market Interest Rates) As long as Korea's policy interest rates do not drop in the near future, the pressure to push up domestic market interest rates will increase under the influence of the US rising trend in policy interest rates. Lately, Korean CD interest rates maintain a pattern of falling when Korea's policy interests drop and rising when the US policy interest rates move up. Supposing Korea realistically finds it difficult to drop its policy interest rates, the pressure to increase domestic CD interest rates will rise in line with the rise in US policy interest rates, which is expected to take place within this year.

② High Won(Strong won)

(Gap between US policy Interest Rates Trend and Direction of US Dollar) Since December 2015, an abnormal phenomenon has appeared without failure where the value of the US dollar declines every time immediately after the US increases its policy interest rates. The gap between the US policy interest rates and movements of the US dollar value is attributed to a combination of factors such as the weakening standing of the hard-liners within the FED, lapsed expectation for Trumplation, issue of naming East-Asian countries for currency manipulation and the risk of monetary policy change by major nations.

(Direction of the Korean Won) The future direction of the Korean won is likely to be lined with the direction of the US dollar and geopolitical risk is anticipated to act as a major factor weakening the Korean won. Although there is no consensus of opinions on the direction of the USA dollar for 2017, it appears

that the issue of raising US policy interest rates, one of the most important factors for a strong dollar, has no significant influence on it. The direction of the Korean won still remains uncertain due to bearish factors such as geopolitical risks, political uncertainties and the issue of worsening household debt.

③ High Oil Prices

(Oil Prices Maintaining an Upward Trend) Although international oil prices have been continuously moving upward since 2016 thanks to the improving demand-supply status and weakening US dollar, lately it has entered a correction phase with the risk of over-supply emerging. With increasing global demand and limited supply of oil, international oil prices have maintained an upward trend since 2016. The US dollar declined against other currencies during the period of January to October 2016, pushing up international oil prices. However, oil prices are now under adjustment, having come out of the upward trend with exchange rate factors weakening and the risk of over-supply coming to the fore.

(Direction of International Oil Prices) The direction of oil prices is predicted to be dependent more on demand-supply status than on currency exchange rates. The upward trend of oil prices is expected to continue assuming the US dollar remains weak and the recovery of the global economy keeps strong. The risk of falling oil prices, however, cannot be ruled out if the agreement to cut oil production between oil producing countries is not extended or the effectiveness of the agreement to curtail production shows signs of weakness.

④ (Summary) Assessment of Risk of Entering the Age of 3 Highs

Considering the current trend, the possibility of a strong won and high oil prices is not so great although domestic market

interest rates are highly likely to rise and therefore the entry into the age of 3 Highs is difficult to predict. **(Interest Rates)** On the assumption that the Bank of Korea will not drop the policy interest rate, the domestic market interest rate is set to keep its upward tendency. **(Exchange Rate)** A strong won is likely to stay with the KRW/USD exchange rate heavily affected by fluctuations in interest rates and, therefore, the exchange rate is not likely to stay in a one-way trend as both internal and external conditions are changeable. **(Oil Prices)** Although international oil prices are highly likely to be pushed up under pressure if the US dollar remains weak, the possibility of oil prices falling cannot be ruled out if the issue of an oversupply of oil becomes a reality.

Policy Suggestions

In preparation against the possibility of entering the 3 Highs age, the government should:

1. Focus on consolidating fundamentals of the economy and securing market integrity to prevent price variables from disturbing real economy.
2. Ensure the soft landing of household debt issues which could be the top economic uncertainty factor for Korean economy in the age of higher interest rates.
3. Strengthen efforts to target export markets and secure non-price competitiveness of export products to overcome the issue of weakening competitive edge caused by fluctuations of currency exchange rates.
4. Strengthen risk management of the currency exchange rate and prices of raw materials and check short and long term cash flow, planning in preparation against anticipated market volatility.

II. North Korean Issues

1. Creation of Foundation for Unified Economy through North-South Economic Cooperation

Summary

New policy toward North Korea should be established to promote implementation of a peace settlement in the Korean peninsula despite the cut of all inter-Korean ties following North Korea's continued nuclear tests. A peaceful unification of Korea will provide both Koreas with enormous economic opportunities, such as an expanded Korean peninsula economic zone and realization of unified economic power. This research, therefore, examines the current status of inter-Korean relations and aims to propose directions for government's policies toward N. Korea for the realization of peaceful unification of the Korean peninsula.

Current Status of Inter-Korean Relations & Solution Approach

(Current Status of Soured Inter-Korean Relations) The lack of consistency in S. Korea's policy toward the North and ensuing provocations by N. Korea have contributed to prolonging strained inter-Korean relations and there is fear that this, if lasting, may result in many negative effects including increasing concern about the 'Korea Discount' phenomenon and widening difference in economic power between the two Koreas.

(Direction Proposal to Improve Inter-Korean Relations) A sustainable policy should be set up to encourage N. Korea for changes to improve inter-Korean relations and to achieve peaceful unification based on unification sympathy between the two Koreas. To serve this purpose, inter-Korean economic cooperation

should be actively embraced to be used as an engine to improve and normalize inter-Korean relations. Therefore, inter-Korean economic cooperation can help resolve concerns about ‘Korea Discount’, reinvigorate S. Korea’s economy and create a good foundation for an inter-Korean ethnic community, ultimately contributing to the implementation of a peaceful settlement in the Korean peninsula.

Vision & Strategy for Inter-Korean Economic Cooperation

(Vision : Realization of a Strong Unified Economic Power through Inter-Korean Economic Cooperation) ‘Realization of Strong Unified Economic Power’ is presented in this research as a vision for inter-Korean economic cooperation.

To achieve this vision, economic interdependency between the two Koreas should be enhanced in phased approach through inter-Korean economic cooperation, which will eventually lead to joining in the ‘40-80 Club’.

(3 Key Principles : Peace First, Separation of Economy from Politics, Public-Private Cooperation) The peace first principle is important. Prevention of military collision and peaceful solution of inter-Korean conflicts should come first of all and it is necessary to recognize that efforts for sustainable peace starting from the 7.4 North-South Joint Statement to the latest 10.4 Declaration are all strategies for a peace settlement.

1. The principle of separating economy from politics should be practiced in an effort to prevent political and military issues between the two Koreas from hampering inter-Korean economic cooperation.

2. The principle of cooperation between the public and private sectors should be encouraged. Humanitarian aid by the private sector and exchanges in academic, cultural and sports fields

should be activated free from political issues.

(4 Key Promotion Plan : The details of this plan are suggestions to encourage the North to open up the country and introduce a market economy step by step through North-South economic cooperation to eventually pave the way for ‘Stable, susTainable, coExistence, and large scales of Projects(STEP)’.

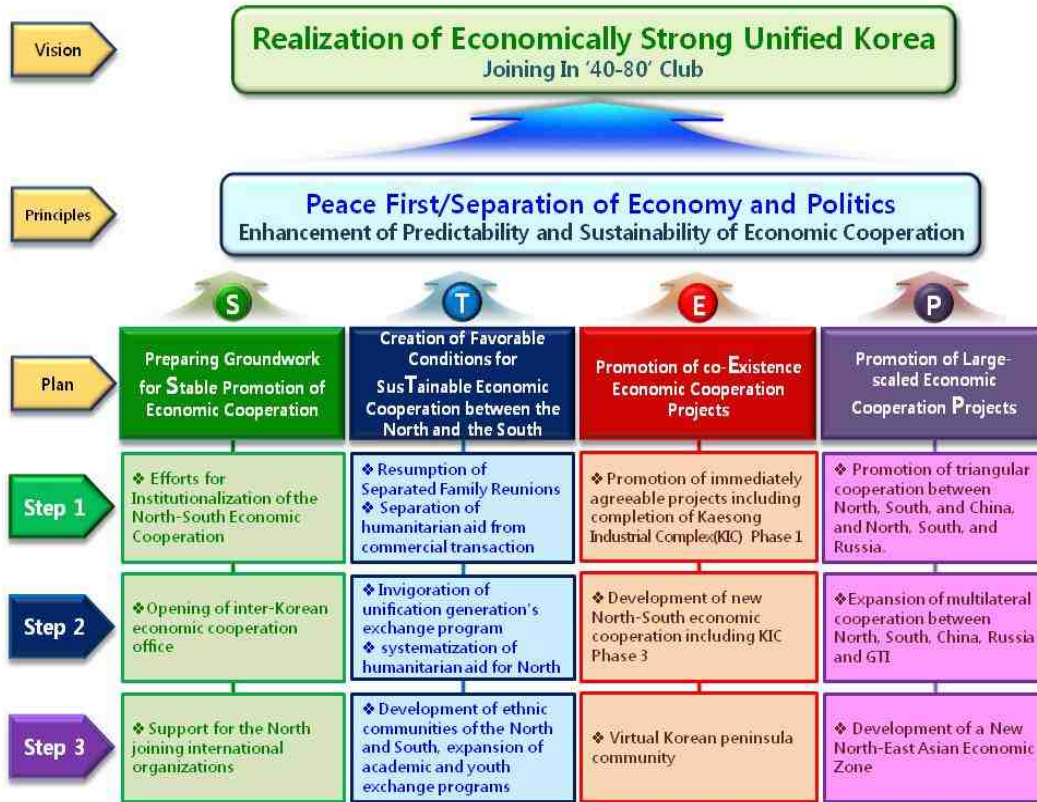
1. Foundation for Stable inter-Korean economic cooperation should be established by institutionalizing economic cooperation between the two Koreas and promoting the setting up of inter-Korean Exchange & Cooperation Offices in Seoul and Pyongyang.

2. SusTainable conditions for continued development of inter-Korean relations should be created by establishing a system for humanitarian aid, expanding social and cultural exchange programs between the two Koreas and by regularly promoting reunions of separated families.

3. Economic cooperation should be operated to promote coExistence types of projects, such as resumption and expansion of the Kaesong Industrial Complex, forestation of devastated forests of N. Korea and development of underground resources, which will provide both Koreas with a new growth engine.

4. Lastly, giant new northern Projects involving the two Koreas, China and Russia should be promoted for the development of infrastructures such as construction of railways, roads, harbors and gas-pipe connections in the border areas of the four countries mentioned above, and at the same time S. Korea should ensure to play a leading role in the Greater Tumen Initiative(GTI).

< STEP: Policies for Realization of Unified Strong Economic Power >



[Annex] Domestic and Global Economic Indices

Global Growth Rate

Category	2015					2016					2017
	Annual	1/4	2/4	3/4	4/4	Annual	1/4	2/4	3/4	4/4	Annual(E)
US	2.4	2.0	2.6	2.0	0.9	1.6	0.8	1.4	3.5	2.1	2.3
Euro Region	1.7	0.6	0.4	0.3	0.4	1.7	0.6	0.3	0.4	0.5	1.7
Japan	-0.4	1.2	-0.4	0.5	-0.4	1.0	0.5	0.5	0.3	0.3	1.3
China	6.9	7.0	7.0	6.9	6.8	6.7	6.7	6.7	6.7	6.8	6.6

Note 1) IMF figures of April 2017 for 2017 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		2015	2016			2017(E)		
			the first half	the second half	Annual	the first half	the second half	Annual
National Account	Economic Growth rate (%)	2.6	3.2	2.5	2.8	2.0	2.6	2.3
	Private Consumption (%)	2.2	2.9	2.1	2.5	1.6	2.0	1.8
	Construction Investment (%)	3.9	9.9	11.4	10.7	3.1	1.9	2.5
	Facility Investment (%)	5.3	-3.7	-0.9	-2.3	2.6	1.4	2.0
Foreign Trade	Current Account (100 million Dollars)	1,059	517	470	987	420	410	830
	Exports Increase rate (%)	-8.0	-10.2	-1.6	-5.9	6.1	3.5	4.8
	Imports Increase rate (%)	-16.9	-13.1	-0.5	-6.9	10.0	5.0	7.4
Consumer Price (Average, %)		0.7	0.9	1.1	1.0	1.5	1.4	1.5
Unemployment rate (Average, %)		3.6	4.1	3.4	3.7	4.4	3.8	4.1

Economic Indicators of North Korea

		2007	2008	2009	2010	2011	2012	2013	2014	2015
Per capita GNI (10,000 won)		104	114	119	124	133	137	138	139	139
Amount of Trade by Year (USD million)	South-to-North	1,033	888	745	868	800	897	521	1,136	1,262
	North-to-South	765	932	934	1,044	914	1,074	615	1,206	1,452
	Total	1,798	1,820	1,679	1,912	1,714	1,971	1,136	2,343	2,714

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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