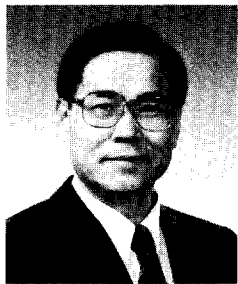

ECONOMIC PROSPECTS FOR 1996



There is much to be optimistic about 1996. Leaders in the business community have high expectations that the economy will continue to expand, while the government is optimistic and committed

to ensure the continuation of a rapid growth of the nation's economy. However, the new year will also bring the first congressional election under the civilian government. The April elections as well as the anticipated 1997 presidential election may trigger pessimism among many politicians. The economy will naturally experience some turbulence connected with the elections.

The new year brings important 'new' beginnings for Korea. It will join the OECD, commonly referred to as "rich men's club," and be elevated to a "high income country" in 1996 for the first time. The most recent World Development Report of the World Bank indicates that if per capita GNP of a country exceeds \$ 8,626 (in 1993 prices), that country is grouped as a high income country. Korea's per capita GNP (Gross National Product) will reach the \$ 10,000 level in 1995 and exceed \$ 11,000 in 1996. These are remarkable achievements for Korea.

As an export-oriented country, Korea will continue to depend heavily on the economies of its major trading partners, including the U.S., Japan, the EU, and China. Forecasts for the world economy in 1996 are somewhat mixed. While the DRI projects a slight slowdown, the WEFA predicts just the opposite, e.g., a significant increase in economic growth rate from 3.0 percent in 1995 to 3.6 percent in 1996. The economies of the U.S. and EU countries are expected to experience a slowdown. But those of Japan and the East European coun-

tries are projected to show rapid recovery. East Asian countries are expected to record about the same growth rate as in 1995.

The semiconductor, automobile, steel, and chemical industries have shown remarkable growth so far this year. Many experts expect this trend to continue in the future. In particular, the semiconductor industry is anticipated to show significant growth in 1996. Some business leaders, on the other hand, are doubtful that the automobile and chemical industries will grow at the same rate as in 1995.

While there is some concern about a possible downturn of the economy during the late 1995, economic forecasters in private and public sectors project that the economy will pass the peak of the short-run business cycle during the fourth quarter of 1995. Some slowdown of the projected 1995 growth rate of 9 percent is inevitable. Any slowdown during the first half of 1996 should not be significant. Many economists project over a 7 percent growth rate in 1996, a reduction of only 2 percent from the previous year. No doubt, businessmen and investors will be optimistic during the first half of 1996.

Considerable speculation will probably be made in private and public sectors about the health of the economy in 1996. The one overriding factor that cannot be forgotten is that the April election results will significantly affect the performance and stability of the Korean economy. Political leaders remember well that the stagnant stock market in 1995 partially contributed to the defeat of the government in power in four major local elections in June, 1995. **VIP**

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