OECD Predicts 5 Pct Growth for South Korea This Year
- With 4.5 pct growth forecast next year in its world economic report

The Organization of Economic Cooperation and Development (OECD) forecast that South Korean economy would grow 5 percent this year.

OECD, in its report entitled the Economic Forecast for Second Half of 2004, said the country would be able to achieve the level of growth despite North Korean nuclear standoff, the Iraq war, credit default problems and the impeachment of the President.

The economic organization also predicted that South Korea would see its GDP grow 4.5 percent led by revival in domestic investment, despite a slower pace of export growth.

OECD, however, said South Korea would have to grapple with a number of economic foes along the way to achieve the predicted growth rate including high oil prices, increased U.S. interest rates and resultant slow down in the world economy and the steep appreciation of its currency vis-a-vis dollar.

OECD recommended expanded monetary budgetary policies to spur domestic economic growth, along with polices ensuring flexible labor market and the resolution of credit card problems.

The OECD report said growth momentum for the world economy, which developed last year has been weakened a bit by high oil prices, but it would gain strength again in the second half of next year to its potential level.

The healthy economic recovery this year would reduce the unemployment rates and stabilize prices and spur world trade growth to 9 percent.

Growth momentum for the world economy would recover in the second half of next year if oil prices would not rise further.

The growth of the U.S. economy would reach around 3.3 percent led by investments and improved employment conditions despite interest rate hikes. The U.S. budgetary deficit would exceed 4 percent of its GDP, while external debt would exceed 6 percent of GDP.

In the case of Japan, despite the readjustment following high economic growth and slowed down exports, corporate sales marked high records with the recovery in domestic demand brought on by increased earnings by salaried people, which would lead to 2.1 percent economic growth. Europe is likely to see its GDP growth reach 1.9 percent next year with facility investment rebounding in the export industrial sector, with improved employment and the recovery of consumer spending owing to tax reduction executed by some EU countries.

In the meantime, real gross domestic growth (GDP) increased 4.6 percent year-on-year in the third quarter of this year, although growth slowed from 5.5 percent the previous quarter as lackluster private consumption continued and export growth slowed. Cumulative real GDP growth from the first to third quarter recorded 5.1 percent.

Agricultural, forestry and fishery production was up 5.5 percent in the third quarter as vegetable, rice and fishing output increased. Overall manufacturing production rose 11.6 percent as industrial machinery, semiconductor, mobile phone handset and motor vehicle export production continued to be strong, although output of domestic demand items such as textiles, clothing and wood products remained stagnant. Construction slowed to 2 percent as both residential and commercial building cooled.

Services output increased by 1.3 percent. Transportation, warehouse, telecommunications, health care and social services growth accelerated while wholesale and retail sales recorded negative growth. Restaurant, lodging, financial and rental services remained weak.

The contribution rate of agriculture, forestry, and fishing to the increase in GDP in the third quarter rose from 1 percent the previous quarter to 3.4 percent, while that for manufacturing was up from 64.2 percent to 65.9 percent. Those for construction and services were down, however, from 5.2 percent to 3.4 percent and from 14.7 percent, respectively.

Private consumption decreased by 0.8 percent from the same period last year in the third quarter, which was attributable to subdued household spending on durable and semi-durable goods.