

# Republic of Korea Economic Bulletin

## The Green Book: Current Economic Trends

### Economic News Briefing

- ✓ *Fitch Upgrades Korea's Sovereign Rating*
- ✓ *Korea Economy Grows a Robust 4.4% in Q3*
- ✓ *Korea Has 'Most Improved Transparency' in Asia-Pacific*

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Republic of Korea

# Economic Bulletin

November 2005

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## **DPM Foreign Press Conference**

Seoul Foreign Correspondents' Club, October 31, 2005

### **Overview**

Deputy Prime Minister and Minister of Finance and Economy Han Duck-soo had a press conference with foreign correspondents on October 31, 2005, where he elaborated on the government's economic policy framework and projections for the year 2006.

### **Summary**

#### **1. Macroeconomic policy framework of the Participatory Government**

The government aims at achieving economic growth to the level of growth potential without inflationary pressure. Solid economic rebound based on economic fundamentals will be sought not relying on undue economic stimulus policy. Undue economic stimulus policy may bring about short-term outcomes but affect the economy negatively delaying recovery and disrupting sustained growth.

The policy directions that the government wants to avoid include stimulating excessive consumption, causing real estate

speculation, swelling fiscal deficit and spurring the stock market exorbitantly. Excessive consumption will have a negative impact on a recovery in consumption as seen in the banking sector's excessive household loans between 2001 and 2002. Real estate speculation will hamper the housing stabilization of the middle class and sustained economic growth in mid and long term. Fiscal deficit should be kept to a minimum as it aggravates fiscal soundness in the long run. Excessive spur on the stock market may raise stock prices but bring about an adversary effect on the economy. Increased money supply by the Bank of Korea in 1989 drove investors to put more money into the stock market, triggering off a short-lived surge in stock prices. The negative influence still lingers on in the market.

#### **2. Present and future of the Korean economy**

Currently Korea is going through critical economic changes with a turnaround in sight. Although the economic growth slowed a bit in the first quarter, it returned to positive

territory. Good performances are seen in the stock and financial markets and the government's fiscal status is in good condition. Fitch and S&Ps, international credit ratings agencies, upgraded Korea's sovereign rating from A to A+ and A- to A respectively. Also, the government successfully priced US\$1 billion equivalent dual tranche global bond offering.

Private consumption recorded an unprecedented decline for two consecutive years. However, it grew around 4 percent in the third quarter 2005 on the back of the adjustment of household debts. It is projected to widen 4 to 5 percent in 2006.

Considering one of the world's strongest fiscal soundness, the government will keep the ratio of its external debt to GDP at around 30 percent.

Transparency in the capital market will be raised. Prompt action will be taken against illegal activities of listed companies for the formation of a transparent market. Starting with regulations on securities and investment trust companies, overall regulations will be converted into negative systems by the end of the year.

Strong measures will be taken to keep a lid on real estate speculation, although they may make a dent in economic growth. However, putting the real estate market on the normal

track will stabilize the living conditions of the middle class and reduce fluctuations in the market in the long run.

The economic growth rate is projected to be higher in the fourth quarter than 4.4 percent in the third quarter. Next year the figure will go near the growth potential of 5 percent with turnaround in private consumption and investment and sustained export growth. However, investment in construction may be sluggish due to the strong real estate policy.

### ***3. Threats to economic growth***

The biggest threat to the Korean economy is the high oil price. The surge in oil prices has already dragged down GDP by 1 percent. International cooperation is necessary for the stable demand and supply of energy. The government has consistently called for in-depth discussions between oil producing and consuming countries.

The worsening terms of trade has put a break on GDI growth, hampering recoveries in real economy including GDP, employment and consumption.

### ***4. Future policy directions***

Economic policy for next year will focus on realizing economic recovery and potential growth by pursuing specific reforms to achieve mid and long term potential growth.

To this goal, the government will work for transparency in corporate management. Irrational intervention by management will not be allowed. A level playing field will be offered both for foreign and domestic companies by consistently easing regulations. Effort to strengthen competitiveness will be made for services with low productivity such as education and medical services.

Also, effective reform will be pursued in the financial sector. Financial supervision and regulation reforms will be upgraded in line with international standards. To train financial professionals a financial MBA courses will be open.

Flexibility in the labor market will be enhanced. Dialogue and corporation will be

promoted between labor unions and management, and labor laws will be sophisticated to the level of international standards. Through tripartite forums including the labor, management and the government conflicts will be removed and improvement in productivity will be pursued.

Productivity in the public sector will be improved, as it is a prerequisite for sustained economic growth. Also, the social safety net should be strengthened so that those left behind in competition will be embraced.

### ***5. Future vision***

The government will target advanced economy with high productivity by promoting market economy, openness and a stronger social safety net.

# The Green Book: Current Economic Trends

## Overview

The Korean economic recovery is gaining pace in the second half. Private consumption is gradually normalizing; it has expanded to the level of GDP growth rate with household debt restructuring in remarkable progress. Investment, still sluggish, is showing signs of improvement, as transportation equipment investment returned to positive territory in 11 quarters although construction investment was sluggish.

Exports (*customs clearance basis*) continued to be on an upward track, up 13.4 percent in October following a 15.4 percent gain in the third quarter. The net exports' contribution to growth has expanded.

Manufacturing output escalated its uptrend despite constraining factors such as auto labor disputes. Services output accelerated recovery pace, helped by improving domestic demand.

Employment also gathered steam as the number of people on the payroll increased 380,000 in the July to September period, although it rose only by 240,000 in September.

Prices maintained downward stability with consumer prices in the 2 percent range and core inflation in the 1 percent range.

Real GDP (*preliminary*) in the third quarter moved up 4.4 percent year-on-year and 1.8 percent quarter-on-quarter (*seasonally adjusted*), as upbeat exports triggered off an expansion in manufacturing output growth and a recovery in private consumption pushed up service activity.

Against this backdrop, domestic demand and exports are balancing out. With continued recovery the Korean economy is projected to achieve growth potential in the fourth quarter.

However, external uncertainties such as high oil prices and the global economic conditions linger on. Worsening terms of trade, in particular, have stagnated real GNI, which may put a brake on the recovery pace of consumption. As investment indexes related to future income registered a low growth, efforts to renew growth momentum should be pursued aggressively.

# 1. Global economy

The global economy maintained solid growth despite high oil prices. The US and China

stayed on the uptrack, while Japan and the eurozone posted moderate gains.

## US

The US economy recorded a quarter-on-quarter growth of 3.8 percent (*preliminary, annualized rate*) in the third quarter. Despite concerns about a slower growth due to hurricanes and lingering high oil prices, the US posted a solid growth, higher than 3.3 percent of the previous

quarter. The increase was attributable to a rise in consumption led by sales of services and durables including automobile discount sales and a surge in the government's expenditures including defense spending.

*(Percentage change from the previous quarter, annualized rate)*

	GDP	Consumption	Investment	Net exports		Government expenditure
				Exports	Imports	
Q3 2005 growth	3.8	3.9	2.3	0.8	0.0	3.2
Contribution to growth (%p)	3.8	2.73	0.38	0.08		0.61

Meanwhile, high oil prices slightly pushed down indexes in September with employment and industrial production leading the trend.

### New non-farm payroll employment

(m-o-m, thousand)

2,194 (2004) → 546 (Q1 2005) → 593 (Q2) → 663 (Q3) → -35 (Sep)

### Industrial production (m-o-m, %)

4.2 (2004) → 0.9 (Q1 2005) → 0.3 (Q2) → 0.2 (Aug) → -1.3 (Sep)

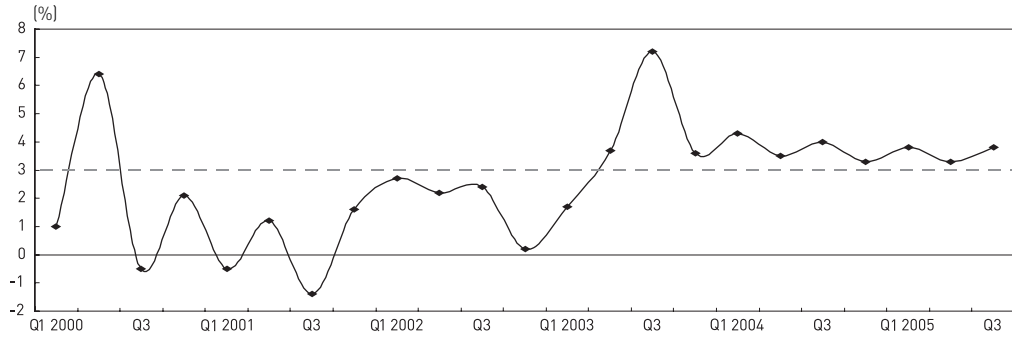
### Retail sales (m-o-m, %)

7.3 (2004) → 1.5 (Q1 2005) → 2.6 (Q2) → -1.9 (Aug) → 0.2 (Sep)

The Federal Open Market Committee (FOMC) raised the federal funds rate by 25 basis points in November to 4.0 percent. As Ben Bernanke, the Chairman of the US President's Council of Economic Advisors (CEA) was nominated to succeed Alan Greenspan as Chairman of the Federal Reserve Board in late October, uncertainty related to monetary policy was thought to be reduced remarkably.

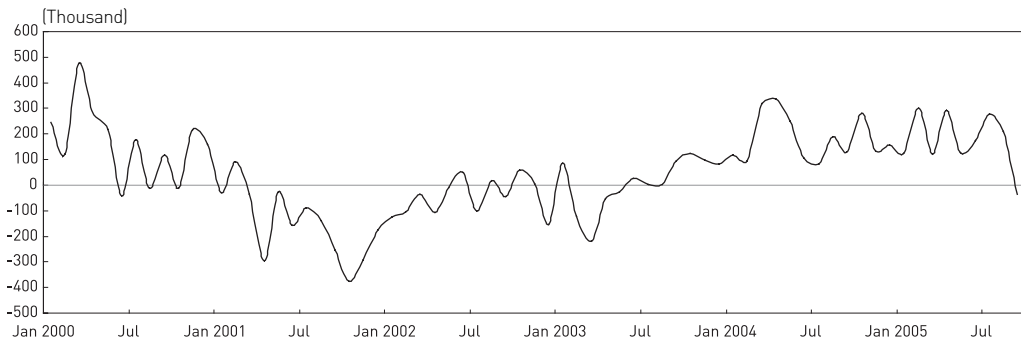
• m-o-m: month-on-month    • q-o-q: quarter-on-quarter  
• y-o-y: year-on-year

Graph 1-1: US GDP (q-o-q, annualized rate)



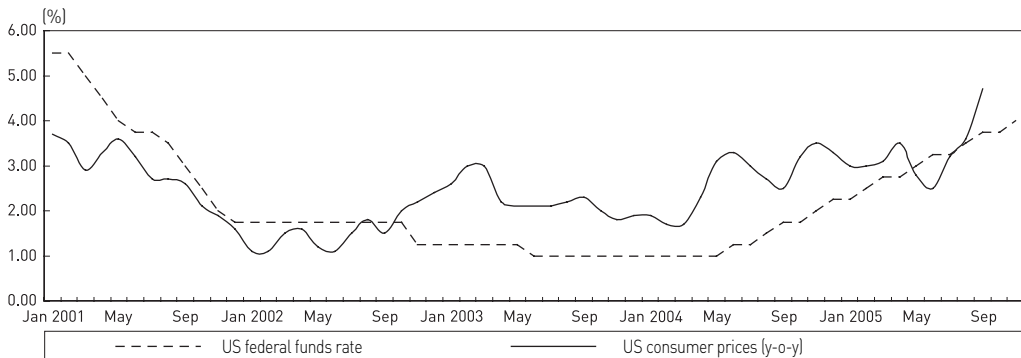
Source: US Department of Commerce

Graph 1-2: US non-farm payroll employment (m-o-m change)



Source: US Department of Labor

Graph 1-3: US federal funds rate and consumer prices



Source: US Federal Reserve Board & Department of Labor

## China

The Chinese economy sustained a solid growth of 9.4 percent year-on-year in the third quarter on the back of gains in consumption, industrial production and fixed asset investment.

The export growth rate in September slowed a bit, which was attributable to weaker price competitiveness due to the appreciation of the yuan, a temporary slowdown in the US manufacturing sector because of hurricanes and delayed textile negotiations with advanced countries.

The Chinese currency is fluctuating between 8.08 and 8.09 per dollar.

### Growth rate (y-o-y, %)

9.5 (2004) → 9.4 (Q1 2005) → 9.5 (Q2) → 9.4 (Q3)

### Retail sales (y-o-y, %)

13.3 (2004) → 13.7 (Q1 2005) → 12.6 (Q2) → 12.6 (Q3) → 12.7 (Sep)

### Industrial production (y-o-y, %)

16.7 (2004) → 16.2 (Q1 2005) → 16.5 (Q2) → 16.2 (Q3) → 16.5 (Sep)

### Fixed asset investment (accumulated, %)

27.6 (2004) → 25.3 (Q1 2005) → 27.1 (Q2) → 28.5 (Q3) → 29.4 (Sep)

### Export growth (%)

35.4 (2004) → 34.9 (Q1 2005) → 30.9 (Q2) → 28.7 (Jul) → 32.1 (Aug) → 25.9 (Sep)

## Japan

Indexes indicated that economic recovery slowed its pace in September. In August, mining and manufacturing production and retail sales returned to positive territory and export growth rate gathered pace. However, a reduction in global consumption on the back of lingering high oil prices pushed down various indexes in September.

### Mining and manufacturing output (q-o-q, %)

5.5 (2004) → 1.7 (Q1 2005) → -0.4 (Q2) → -0.3 (Q3), 1.1 (Aug) → 0.2 (Sep)

### Retail sales (q-o-q, %)

-0.6 (2004) → 0.0 (Q1 2005) → 3.2 (Q2) → 0.8 (Q3), 1.6 (Aug) → 0.1 (Sep)

### Exports (y-o-y, %)

12.1 (2004) → 3.8 (Q1 2005) → 4.3 (Q2) → 7.4 (Q3), 9.1 (Aug) → 8.8 (Sep)

## Eurozone

The eurozone economy continued its uptrend in the third quarter with good performances of various indexes. Industrial output stayed on the upward track since June, while retail sales in August rose 0.9 percent despite high oil price.

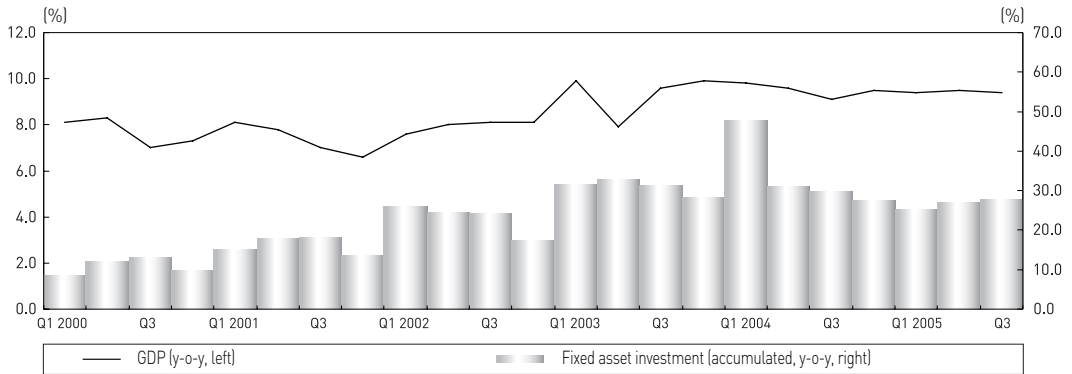
### Industrial output (m-o-m, %)

1.9 (2004) → 0.0 (Q1 2005) → 0.4 (Q2) → 0.6 (Jul) → 2.6 (Aug)

### Retail sales (m-o-m, %)

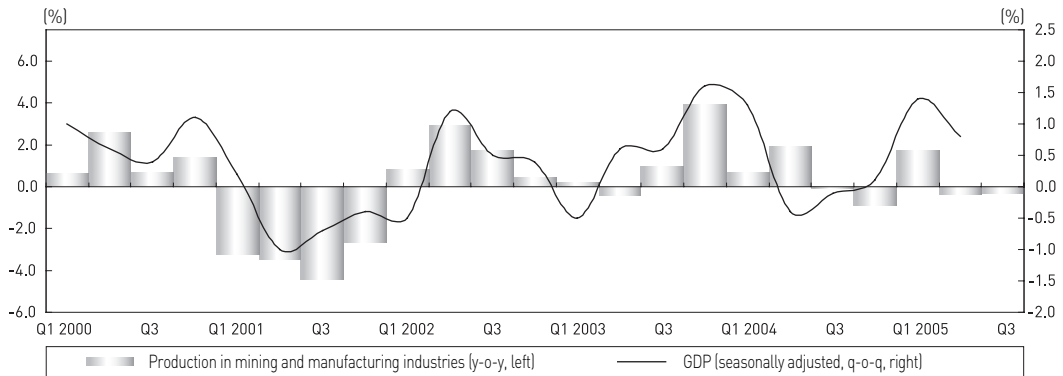
0.7 (2004) → 0.7 (Q1 2005) → -0.3 (Q2) → -0.5 (Jul) → 0.9 (Aug)

Graph 1-4: China's GDP and fixed asset investment



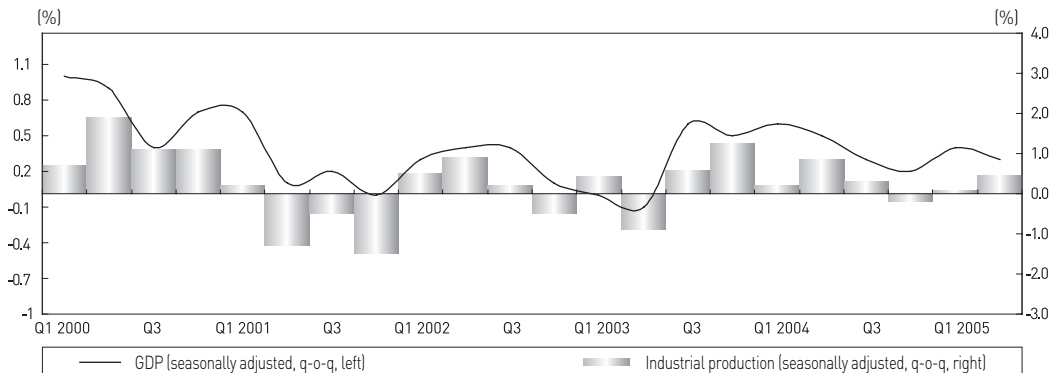
Source: National Bureau of Statistics of China

Graph 1-5: Japan's GDP growth



Source: Cabinet Office & Ministry of Economy, Trade and Industry, Japan

Graph 1-6: Eurozone GDP growth and industrial production



Source: Eurostat

## 2. Private consumption

Growth in private consumption (*preliminary, national accounts*) accelerated to 4 percent in the third quarter, as consumers increased their spending on services and durable goods including automobiles.

### Private consumption

(y-o-y, %) : 0.6 (Q4 2004) → 1.4 (Q1 2005) → 2.8 (Q2) → 4.0 (Q3)

(SA\*, q-o-q, %) : 0.6 (Q4 2004) → 0.7 (Q1 2005) → 1.4 (Q2) → 1.2 (Q3)

\* SA: seasonally adjusted

Private consumption-related indicators in September, however, decelerated the pace of growth due to temporary factors such as

industrial action in automobile manufacturers. Growth in consumer goods sales slowed year-on-year as sales of durable goods including automobiles and sales of non-durable goods decreased 1.0 percent and 1.5 percent respectively.

The supply of automobiles fell short of demand due to strikes in the industry, which led to a decline in sales. A year-on-year decline of sales in non-durable goods in September resulted from consumer demand for *Chuseok* (Harvest Moon Festival) being spread from August to September this year unlike the previous year when it was concentrated in September.

(Percentage change from same period in previous year)

	2004			2005					
	Aug	Sep	Q4	Q1	Q2	Q3 <sup>1</sup>	Jul	Aug <sup>1</sup>	Sep <sup>1</sup>
Consumer goods sales	-2.7	0.6	0.2	1.2	3.2	3.7	4.8	6.1	0.8
- Durable goods <sup>2</sup>	-2.1	-4.3	2.5	2.5	6.4	6.4	10.1	10.1	-1.0
· Automobiles	1.1	3.3	8.4	-2.5	4.8	15.9	28.8	24.8	-3.4
- Semi-durable goods <sup>3</sup>	-0.9	4.7	4.0	2.8	7.3	9.2	9.0	10.8	8.2
- Non-durable goods <sup>4</sup>	-3.5	1.1	-2.9	-0.2	0.0	0.3	0.4	2.4	-1.5

1. Preliminary figures 2. Automobiles, electronic appliances, furniture, telecommunications devices, etc.

3. Clothing, footwear, etc. 4. Foods, medicine, cosmetics, fuel, tobaccos, etc.

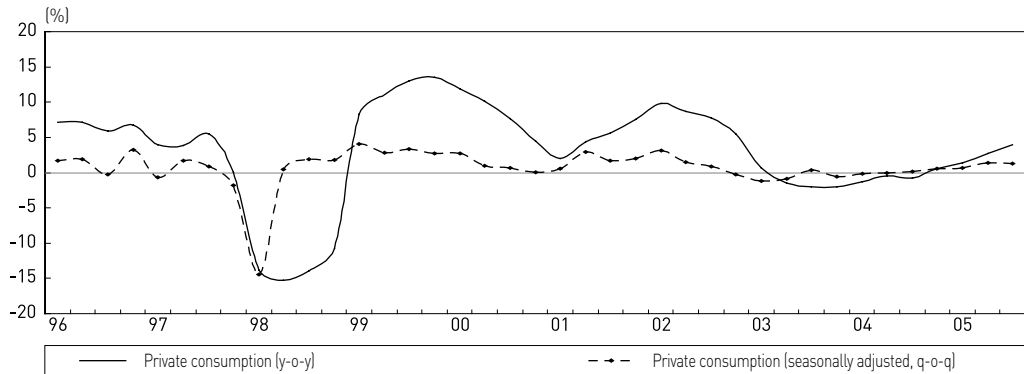
Growth in wholesale and retail sales slowed as vehicle and fuel sales decreased 4.6 percent although wholesale and retail sales increased 5.0 percent and 1.6 percent respectively.

(Percentage change from same period in previous year)

	2004			2005					
	Aug	Sep	Q4	Q1	Q2	Q3 <sup>1</sup>	Jul	Aug <sup>1</sup>	Sep <sup>1</sup>
Wholesale & retail sales	-2.2	-1.1	-1.4	-1.0	2.6	3.6	2.9	5.1	2.7
- Wholesale	-1.0	-0.5	-1.1	-2.0	2.8	4.0	2.2	4.7	5.0
- Retail	-4.2	-1.7	-1.6	1.2	2.4	2.4	1.9	3.8	1.6
- Vehicles & fuel	-2.0	-1.4	-0.9	-2.6	2.0	4.2	8.3	9.2	-4.6

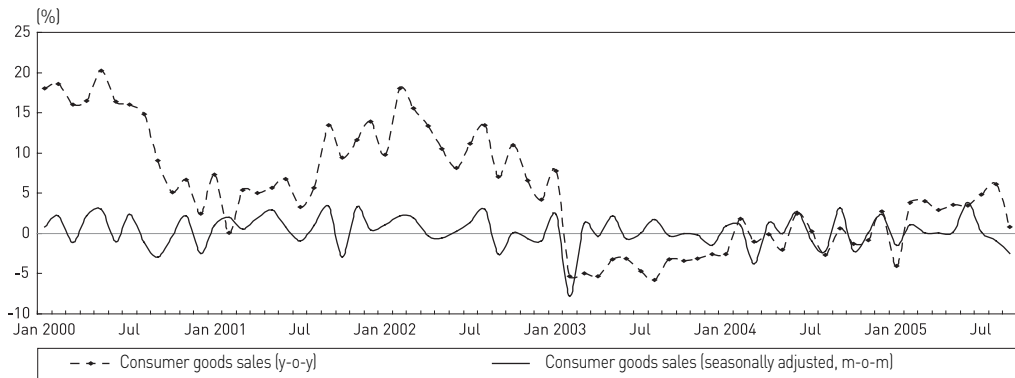
1. Preliminary figures

Graph 2-1: Private consumption



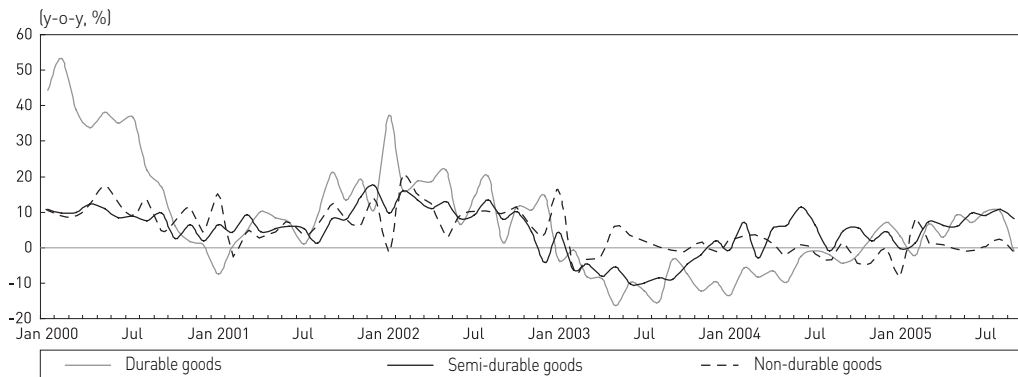
Source: The Bank of Korea (national accounts)

Graph 2-2: Consumer goods sales



Source: Korea National Statistical Office (industrial activity trend)

Graph 2-3: Consumer goods sales by type



Source: Korea National Statistical Office (industrial activity trend)

Consumer spending will accelerate again in October given favorable trends in preliminary consumption indicators including retail sales and credit card use, along with improved consumer confidence. Sales growth in both department and discount stores and credit card purchases maintained growth momentum.

**Department store sales** (y-o-y, %)

1.6 (Jun 2005) → 4.3 (Jul) → 7.0 (Aug) → 8.7 (Sep) → around 6 (Oct)

**Discount store sales** (y-o-y, %)

4.9 (Jun 2005) → 5.3 (Jul) → 2.8 (Aug) → 3.0 (Sep) → around 6 (Oct)

Source: Ministry of Commerce, Industry and Energy  
Ministry of Finance and Economy (Oct 2005)

**Value of credit card use** (y-o-y, %)

13.6 (Q1 2005) → 18.0 (Q2) → 16.5 (Q3), 17.3 (Aug) → 17.8 (Sep) → 19.1 (Oct)

Source: Credit Finance Association

Sales of domestically manufactured automobiles turned positive in October as labor disputes in the industry ended in September.

**Home-manufactured automobile sales**

(thousand units): 90 (Sep 2004), 102 (Jul 2005) → 90 (Aug) → 82 (Sep) → 97 (Oct)

(y-o-y, %): -5.5 (Sep 2004), 18.2 (Jul) → 7.6 (Aug) → -9.0 (Sep) → 1.9 (Oct)

Consumer confidence is increasing after having decreased since April.

**Consumer expectations index** (base=100)

102.2 (Mar 2005) → 95.4 (Jun) → 95.2 (Jul) → 94.8 (Aug) → 96.7 (Sep)

**Consumer present situation index** (base=100)

89.6 (Mar 2005) → 79.7 (Jun) → 78.9 (Jul) → 78.3 (Aug) → 81.2 (Sep)

Source: Korea National Statistical Office

Private consumption is projected to sustain its upward trend given the improvements in household debt restructuring and employment. However, weak increases in income such as slowing growth in Gross National Income (GNI) from aggravating terms of trade may be a factor in constraining growth.

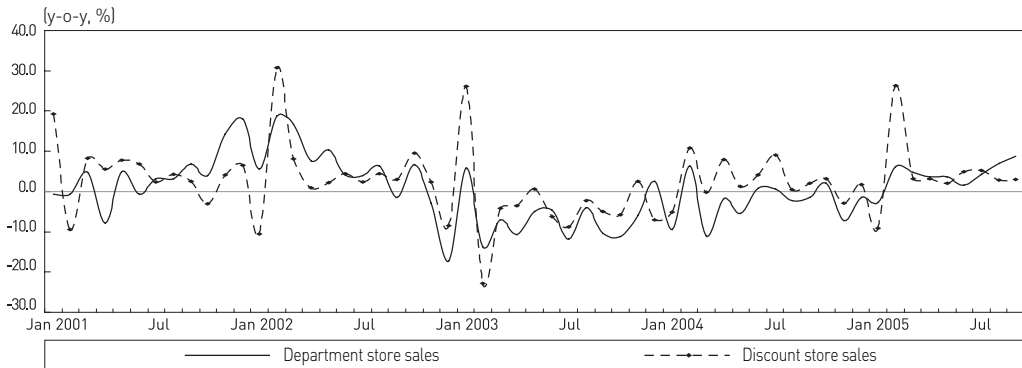
< Income and employment related indexes >

(Growth rate, %)

	2001	2002	2003	2004	2005		
					Q1	Q2	Q3
- Real GNI	2.8	7.0	1.9	3.8	0.5	0.0	0.2 <sup>1</sup>
- Real household income (urban employees)	5.6	3.6	1.7	2.2	1.9	1.6	-
- Changes in number of employed (y-o-y, thousand)	416	597	-30	418	142	382	379

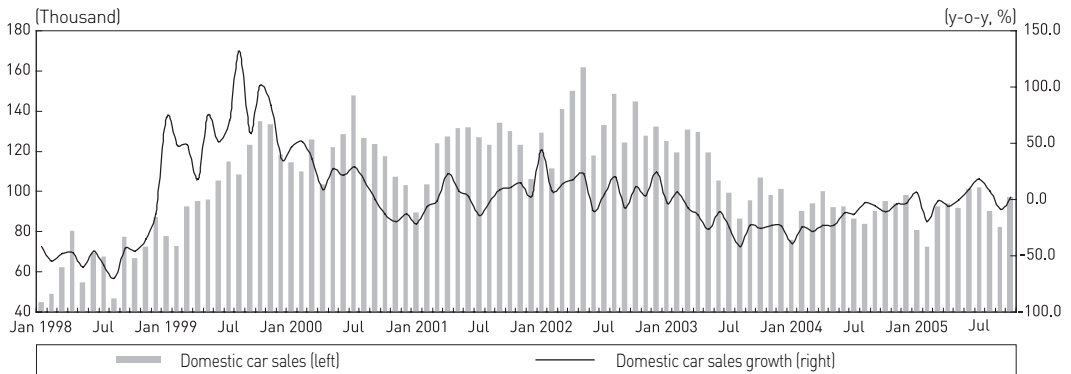
1. GDI (GNI for 3<sup>rd</sup> quarter 2005 is not available)

**Graph 2-4: Department store and discount store sales (current value)**



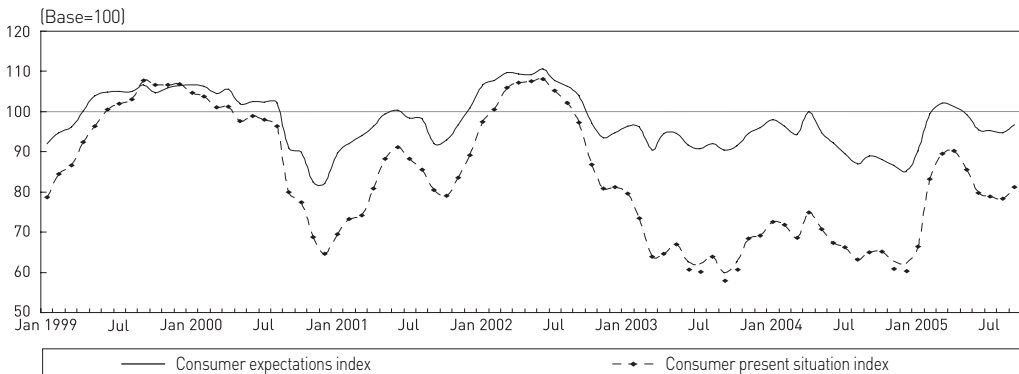
Source: Ministry of Commerce, Industry and Energy (monthly retail sales)

**Graph 2-5: Domestic automobile sales**



Source: Korea Automobile Manufacturers Association (monthly automobile industry trend)

**Graph 2-6: Consumer expectations index and present situation index**



Source: Korea National Statistical Office (monthly consumer survey index)

### 3. Facility investment

Facility investment (*preliminary, national accounts*) in the third quarter showed a moderate recovery increasing 4.2 percent from a year earlier. With machinery investment

staying on a rising track, transportation equipment investment, which had been sluggish, shifted to an upward trend in 11 quarters.

(Percentage change from same period in previous year)

	2004				2005		
	Annual	Q2	Q3	Q4	Q1	Q2	Q3 <sup>1</sup>
Facility investment <sup>2</sup>	3.8	6.2	6.8	2.5	3.1	2.9	4.2
- Machinery	7.4	8.0	9.9	6.1	6.8	6.3	Around 4
- Transportation equipment	-9.6	-0.4	-5.9	-12.2	-11.9	-10.3	Around 3

1. Preliminary figures 2. National accounts

Facility investment related figures were sluggish in September. The estimated facility investment index (*industrial activity*) fell 2.0 percent from a year earlier as investment in automobiles and special purpose industrial machinery declined. Domestic machinery shipments, excluding ships, were up 0.6 percent led by shipments of

electrical machinery and assembled metal products.

The Business Survey Index for facility investment compiled by the Bank of Korea stayed at a similar level to that of the previous month.

(Percentage change from same period in previous year)

	2004				2005			
	Annual	Q2	Q3	Q4	Q1	Q2	Q3 <sup>1</sup>	Sep <sup>1</sup>
Estimated facility investment index <sup>2</sup>	1.4	3.2	3.8	0.1	4.0	1.4	0.5	-2.0
Domestic machinery shipments	-1.3	-1.5	0.4	-0.9	-0.4	-1.4	2.2	0.6
BSI <sup>3</sup> for facility investment	94	93	95	92	97	96	97	98 (Oct)

1. Preliminary figures 2. Industrial activity

3. BSI=[percentage of companies that gave a positive reply] - [percentage of companies that gave a negative reply] + 100

Domestic machinery orders, a leading indicator, declined in September. Machinery imports were also sluggish in October.

Facility investment is expected to improve steadily thanks to the recovery in domestic demand. However, remarkable progress is unlikely for the time being given the unfavorable trends of leading indicators.

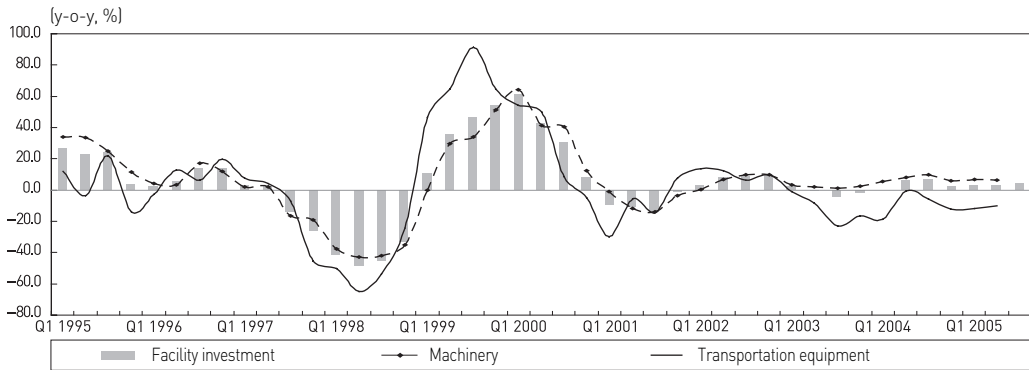
#### Domestic machinery orders (y-o-y, %)

-12.2 (Jun 2005) → 25.4 (Jul) → 18.4 (Aug) → -0.3 (Sep)

#### Machinery imports (y-o-y, %)

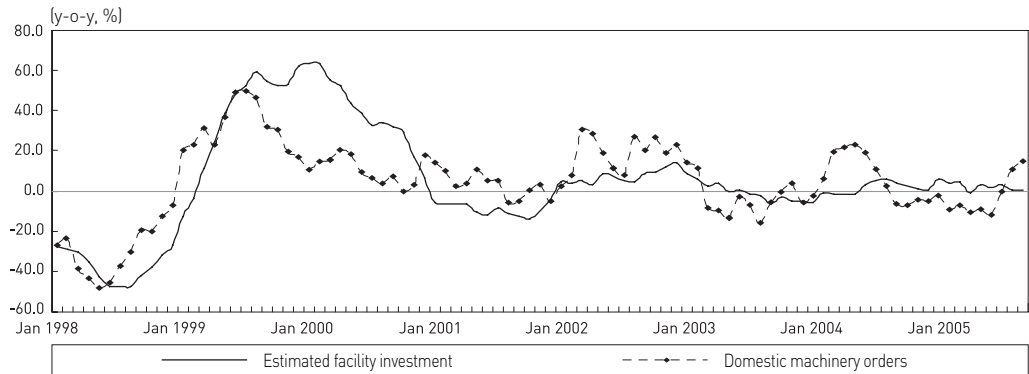
15.9 (Jun 2005) → 24.7 (Jul) → 10.0 (Aug) → 13.5 (Sep) → -4.7 (Oct 1-20)

Graph 3-1: Facility investment by type



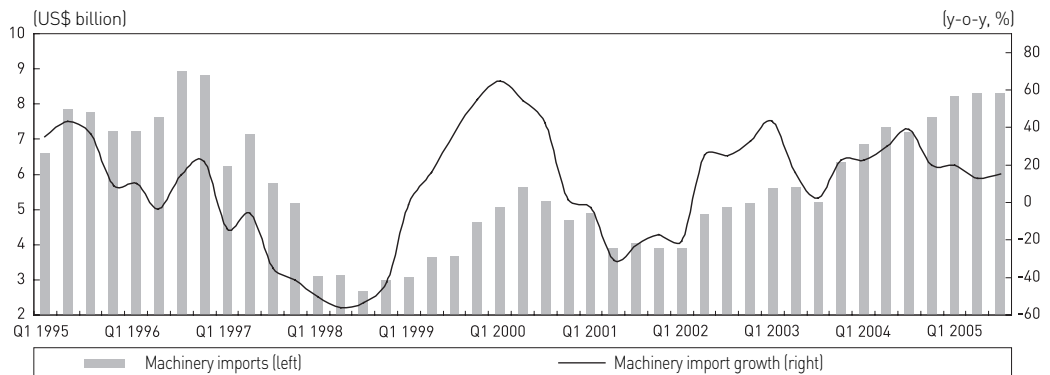
Source: The Bank of Korea (national accounts)

Graph 3-2: Machinery orders and estimated facility investment (3-month average)



Source: Korea National Statistical Office (industrial activity trend)

Graph 3-3: Machinery imports



Source: Korea International Trade Association (KITA)

## 4. Construction investment

Construction investment growth (*preliminary, national accounts*) in the third quarter remained weak at 0.4 percent year-on-year reflecting the slowdown in the construction sector. Non-housing construction continued to decrease while growth of civil engineering projects slowed in the third quarter as a result of fiscal frontloading in the first half.

Increases in construction investment related indices moderated. Construction completed (*current value*) increased a mere 3.8 percent as civil engineering projects turned negative although building construction gained a robust 7.3 percent.

(Percentage change from same period in previous year)

	2004					2005			
	Annual	Q2	Q3	Q4	Sep	Q1	Q2	Q3 <sup>1</sup>	Sep <sup>1</sup>
Construction investment <sup>2</sup>	1.1	3.6	1.3	-3.4	-	-2.9	1.7	0.4	-
- Building construction	2.0	4.6	1.1	-3.7	-	-6.2	1.8	Around 0	-
- Civil engineering project	-0.1	2.1	1.7	-3.0	-	4.0	1.6	Around 0	-
Construction completed <sup>3</sup>	11.0	12.3	14.8	4.4	19.7	2.8	10.3	4.6	3.8
- Construction project	14.1	14.8	17.1	8.3	18.9	1.1	10.5	5.6	7.8
- Civil engineering project	5.3	7.0	10.3	-2.0	21.3	6.3	10.3	2.4	-3.6

1. Preliminary figures

2. National accounts

3. Industrial activity, current value basis

Construction orders, a leading indicator, were up 28.5 percent year-on-year in September. For the third quarter, growth in construction orders slowed to 16.7 percent from a 40.5 percent increase in the previous quarter.

construction permits reversed course to an 8.3 percent increase in three months. However, they declined 6.0 percent year-on-year for the three months to September after decreasing 0.6 percent in the previous quarter.

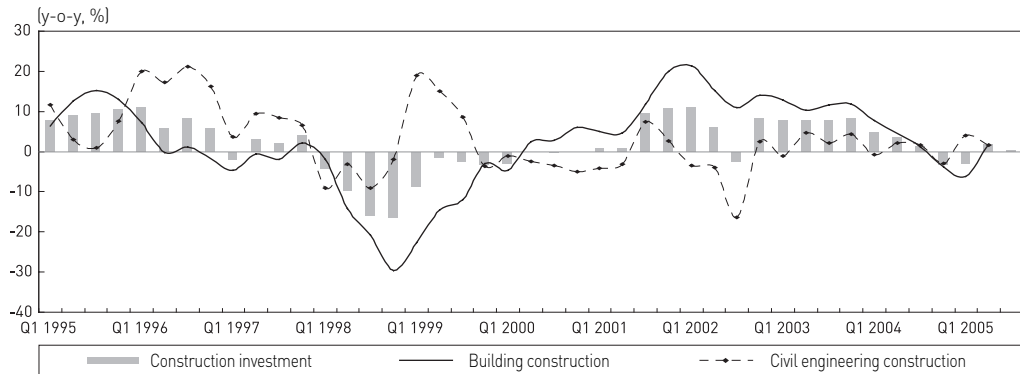
Housing construction remained on the downside in September. Floor area of building

(Percentage change from same period in previous year)

	2004			2005			
	Q2	Q3	Q4	Q1	Q2	Q3	Sep
Construction orders	-23.8	-20.8	28.8	24.8	40.5	16.7	28.5
Housing construction	-57.6	6.5	23.4	23.0	25.8	-26.6	-23.1
Floor area of building construction permits	-34.0	-15.0	14.7	0.6	-0.6	-6.0	8.3

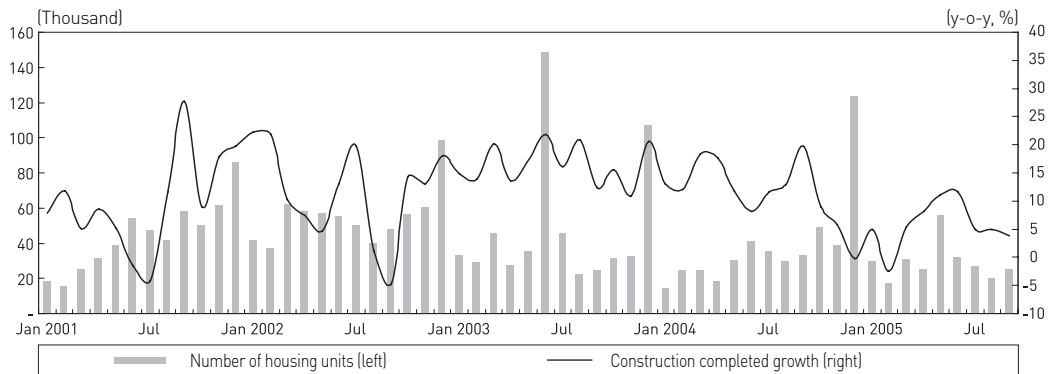
It is necessary to keep track of changes in various indexes, but the construction business will remain sluggish for the time being given trends in leading indicators.

Graph 4-1: Construction investment



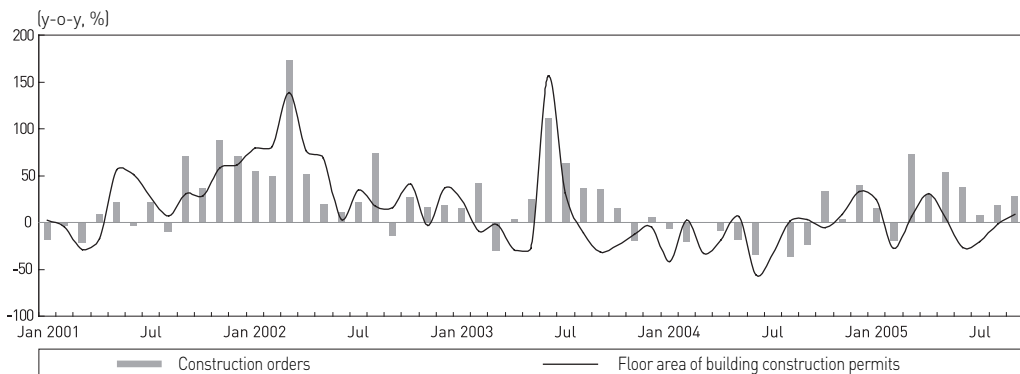
Source: The Bank of Korea (national accounts)

Graph 4-2: Construction completed and housing construction



Source: Korea National Statistical Office (construction completed)  
Ministry of Construction and Transportation (housing construction)

Graph 4-3: Leading indicators of construction investment



Source: Korea National Statistical Office (construction orders)  
Ministry of Construction and Transportation (floor area of building construction permits)

## 5. Exports and imports (customs clearance basis)

Exports rose 13.4 percent in October from a year earlier to a record high of US\$25.71 billion despite unfavorable external conditions such as high oil prices and relatively high growth in the same month last year (US\$22.66 billion). Average daily exports also hit a new record of US\$1.14 billion.

Exports (*estimate*) of semiconductors (*up 12.1 percent*), ships (*up 45.5 percent*), automobiles (*up 9.2 percent*) and wireless telecommunication devices (*up 5.9 percent*) showed solid growth, while computers (*down 8.6 percent*) and textiles (*down 3.9 percent*) continued to decline.

	2005						
	May	Jun	Jul	Aug	Sep	Oct	Jan-Oct
Exports (US\$ billion)	23.13	23.72	23.24	23.35	24.56	25.71	233.39
(y-o-y, %)	(11.0)	(9.5)	(10.7)	(17.9)	(17.9)	(13.4)	(12.4)
Average daily exports (US\$ billion)	1.01	1.03	0.99	0.97	1.09	1.14	1.03

Imports expanded 11.6 percent from the previous year to a record high of US\$22.78 billion in October while average daily imports also maintained a record high of US\$1.01 billion for two consecutive months. However, import growth was outpaced by export growth for the first time in 8 months.

The imports of raw materials sustained a double-digit growth with a 26.5 percent pickup, while growth of consumer and capital goods imports decelerated substantially to 1.7 percent each.

	2005						
	May	Jun	Jul	Aug	Sep	Oct	Jan-Oct
Imports (US\$ billion)	21.13	21.26	21.46	21.90	22.64	22.78	212.93
(y-o-y, %)	(18.1)	(14.6)	(16.7)	(20.8)	(24.4)	(11.6)	(16.2)
Average daily imports (US\$ billion)	0.92	0.92	0.91	0.91	1.01	1.01	0.94

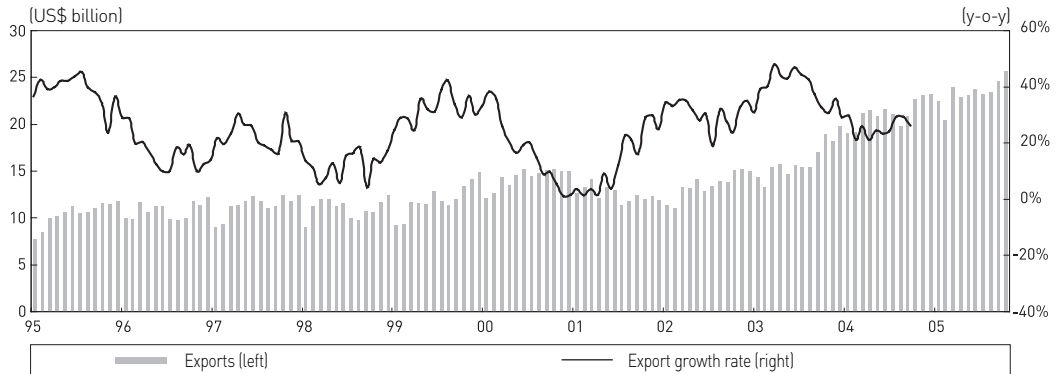
Trade balance surplus widened in October to US\$2.93 billion from US\$1.93 billion in the previous month driven by solid exports.

### Trade balance (US\$ billion)

1.99 (May, 2005) → 2.46 (Jun) → 1.78 (Jul) →  
1.45 (Aug) → 1.93 (Sep) → 2.93 (Oct)

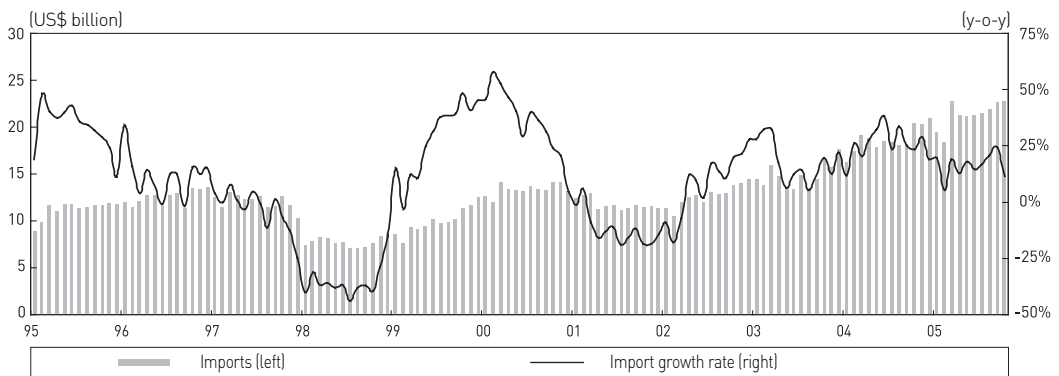
Exports are projected to continue to be robust in November although a slight slowing in growth is expected considering unusually high growth a year ago (US\$23.08 billion in Nov 2004) and the same working days (24 days) compared to the same month last year.

**Graph 5-1: Exports (customs clearance basis)**



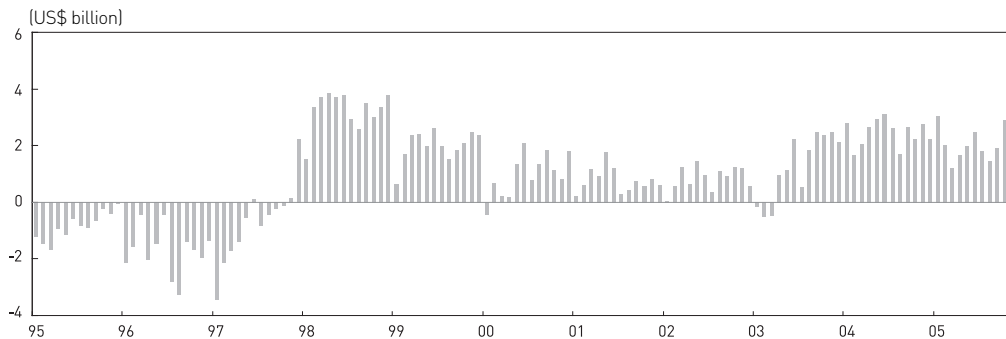
Source: Ministry of Commerce, Industry and Energy (export and import trend)

**Graph 5-2: Imports (customs clearance basis)**



Source: Ministry of Commerce, Industry and Energy (export and import trend)

**Graph 5-3: Trade balance**



Source: Ministry of Commerce, Industry and Energy (export and import trend)

## 6. Industrial activity

Industrial production in September climbed 7.2 percent from a year earlier as output in semiconductors and audiovisual telecommunications equipment showed healthy growth although automobile production diminished due to industrial action that lasted from August 25 to September 12. Production also gained 2.3 percent (*seasonally adjusted*) from the previous month.

### Industrial production (y-o-y, %)

3.8 (Q1 2005) → 4.0 (Q2) → 6.9 (Q3),  
6.9 (Jul) → 6.4 (Aug) → 7.2 (Sep)

### Industrial production except automobiles (y-o-y, %)

2.8 (Q1 2005) → 2.9 (Q2) → 7.4 (Q3),  
5.7 (Jul) → 7.1 (Aug) → 9.2 (Sep)

Output in semiconductors and audiovisual telecommunications equipment led the way increasing 31.9 percent and 16.4 percent respectively from a year earlier driven by strong exports, whereas automobiles and office accounting equipment decreased 11.5 percent and 12.8 percent each.

The average manufacturing operation ratio stood at 79.0 percent in September, up 0.4 percentage point from the previous month. Total inventory increased 6.7 percent year-on-year led by primary metal and chemical products although automobile inventory declined 9.7 percent.

(Percentage change from same period in previous year)

	2004			2005				
	Sep	Q4	Annual	Q2	Q3 <sup>1</sup>	Jul	Aug <sup>1</sup>	Sep <sup>1</sup>
Industrial production	10.0	6.7	10.4	4.0	6.9	6.9	6.4	7.2
- Semiconductors	32.0	22.5	41.0	13.0	27.2	23.1	26.6	31.9
- Audiovisual telecommunications equipment	13.1	11.1	19.6	4.0	14.1	10.4	14.9	16.4
- Automobiles	10.6	12.6	13.3	15.4	2.8	20.8	-0.2	-11.5
(Seasonally adjusted <sup>2</sup> )	1.5	2.1	-	0.5	3.2	1.2	-0.7	2.3
Average operation ratio (%)	79.8	80.4	80.3	79.0	79.4	80.5	78.6	79.0
Total inventory	5.2	9.4	9.4	7.9	6.7	8.5	5.4	6.7

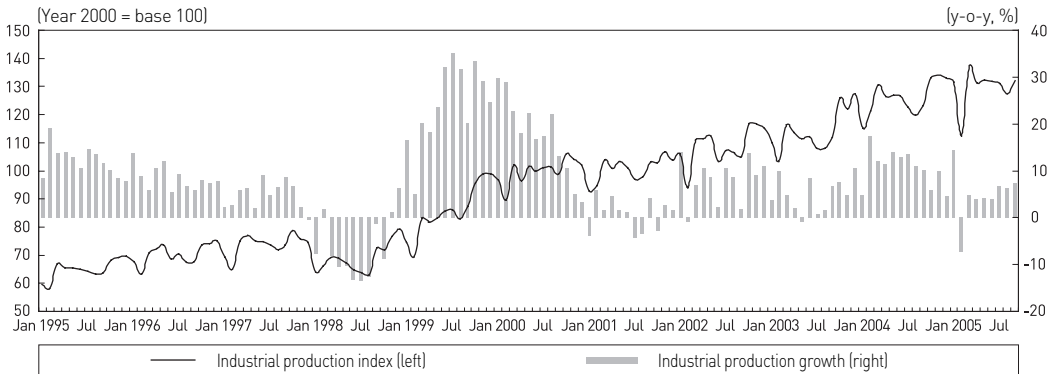
1. Preliminary figures

2. Percentage change from the previous period

Industrial production is projected to continue its upward trend in October given robust exports and the expected recuperation in automobile

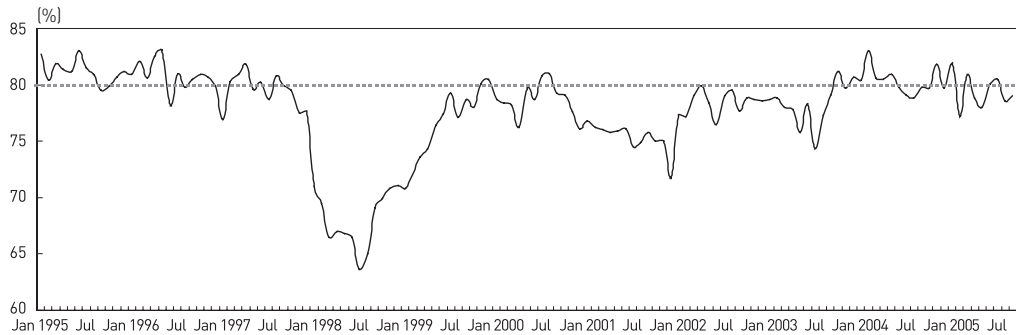
production which was affected by labor disputes in the previous period.

**Graph 6-1: Industrial production**



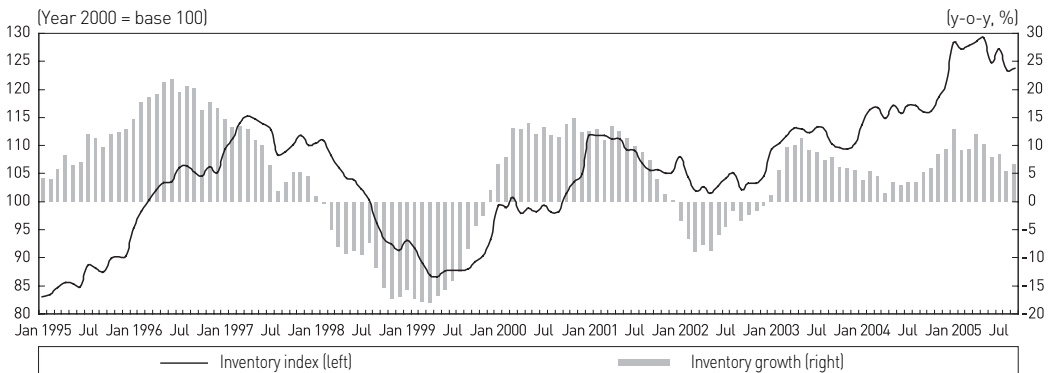
Source: Korea National Statistical Office (industrial activity trend)

**Graph 6-2: Average manufacturing operation ratio**



Source: Korea National Statistical Office (industrial activity trend)

**Graph 6-3: Inventory**



Source: Korea National Statistical Office (industrial activity trend)

## 7. Service sector activity

Activity in the service industry was on a clear recovery track. Service sector output in September gained 5.4 percent from a year earlier, posting a growth of 5 percent or more for the second consecutive month. For the third quarter, the figure rose 5.3 percent from a year earlier recording an 11-quarter high since the fourth quarter of 2002.

### Service industry activity

(y-o-y, %): 0.7 (Q1 2005) → 2.4 (Q2) → 5.3 (Q3),  
4.4 (Jul) → 5.9 (Aug) → 5.4 (Sep)

(SA\*, change from previous period, %)  
: 1.1 (Q1 2005) → 1.0 (Q2) → 2.0 (Q3),  
0.5 (Jul) → 1.1 (Aug) → -0.5 (Sep)

\* SA: seasonally adjusted

Output in all 11 service business categories expanded year-on-year in September. Production in hotels & restaurants, which had been sluggish, reversed course to positive territory in five months.

Most industries contributed evenly to the 5.4 percent growth in total services output, with financial & insurance services (2.63 percentage points) and wholesale & retail sales (0.54 percentage point) leading the growth.

(Percentage change from same period in previous year)

	Weight	2004		2005						
		Sep	Annual	Q1	Q2	Q3 <sup>1</sup>	Jul	Aug <sup>1</sup>	Sep <sup>1</sup>	Contri- bution <sup>2</sup>
Service industry activity	100.0	-0.3	0.6	0.7	2.4	5.3	4.4	5.9	5.4	5.4
Wholesale & retail	27.6	-1.2	-1.2	-1.4	2.0	2.8	2.0	4.2	2.1	0.54
Hotels & restaurants	7.7	0.4	-0.7	-1.3	-0.6	-0.1	-0.7	-0.2	0.6	0.05
Transportation	8.8	6.8	6.2	3.1	3.4	4.5	4.8	4.5	4.3	0.39
Communication services	5.8	3.0	5.8	4.6	4.2	2.7	1.8	4.3	1.8	0.13
Financial & insurance services	17.6	-1.9	0.1	0.4	1.8	13.7	12.0	13.5	15.4	2.63
Real estate & renting	5.4	-8.4	-6.3	6.6	8.0	9.8	9.2	10.6	9.7	0.48
Business services	8.5	3.0	1.9	1.8	1.5	2.8	0.5	3.0	5.1	0.47
Educational services	8.6	-0.6	1.6	-0.4	0.0	3.3	3.7	4.0	2.3	0.21
Healthcare & welfare Services	4.0	-1.5	5.0	1.6	7.0	7.5	7.3	7.5	7.8	0.28
Entertainment, cultural and sports services	3.5	-2.1	-3.3	-1.1	3.5	4.4	4.6	5.1	3.5	0.13
Other public & personal services	2.6	-0.9	-1.1	0.3	2.0	2.4	0.8	4.6	2.0	0.05

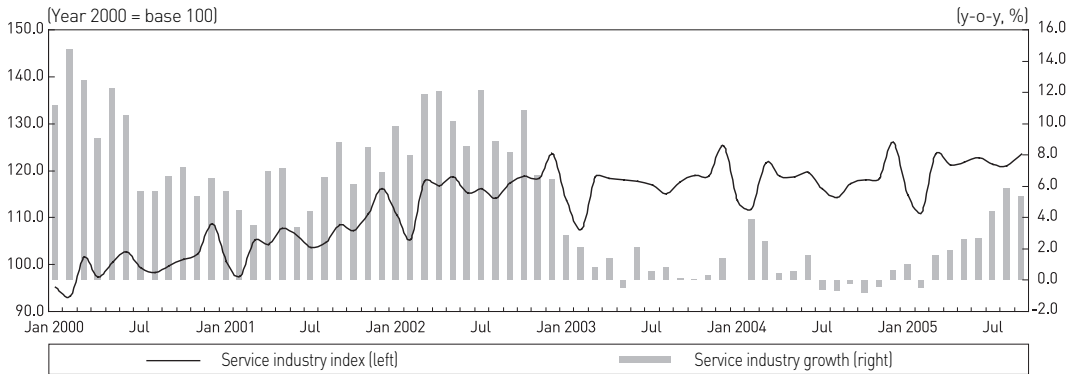
1. Preliminary figures

2. Contribution to September growth (%)

Service sector output is expected to continue its upward trend given strong consumption indicators and better prospects for tourism,

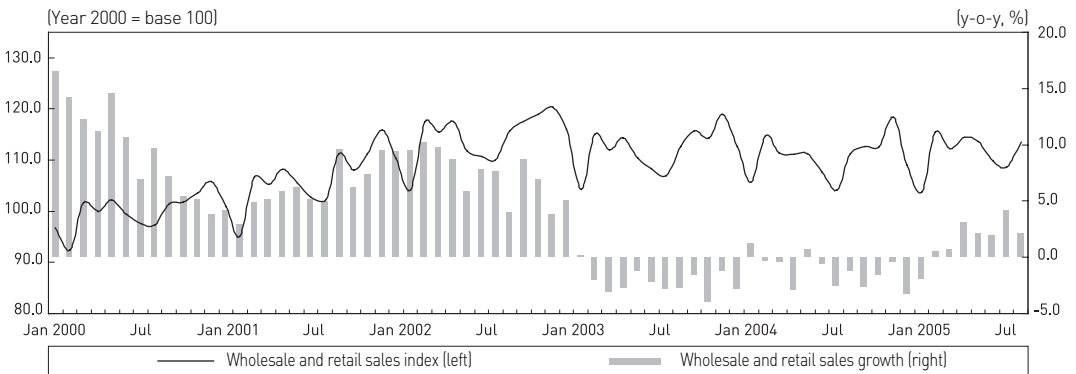
entertainment services and hotels with the spread of the 40-hour workweek, and a relatively low base set a year ago.

Graph 7-1: Service industry



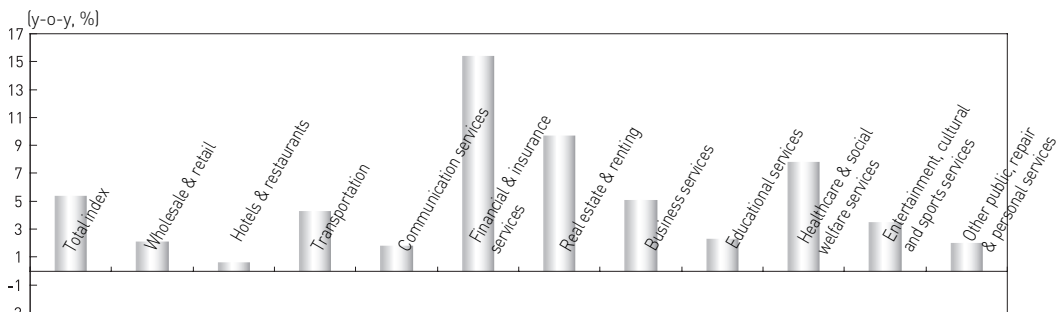
Source: Korea National Statistical Office (service industry activity trend)

Graph 7-2: Wholesale and retail sales



Source: Korea National Statistical Office (service industry activity trend)

Graph 7-3: September 2005 service industry by business



Source: Korea National Statistical Office (service industry activity trend)

## 8. Employment

Employment growth, which had been robust for four consecutive months since May, slowed in September. The number of newly employed was up 239,000 year-on-year, lower than the monthly average growth of 301,000 during the January-September period. It was attributed to the relatively high growth in September last year (*up 510,000*), the increase in public holidays including *Chuseok* (Harvest Moon Festival) and less favorable weather conditions.

Employment in the manufacturing sector fell further in September. Hiring in the construction sector reversed course with a 1.4 percent drop in September after having increased in recent months affected by fiscal frontloading in the first

half. Employment in the agricultural, forestry and fisheries sectors, which rose temporarily, returned to a decline with a deterioration in weather conditions.

Overall, service sector employment continued its healthy growth (*up 350,000*) apart from the wholesale & retail sales (*down 34,000*) and hotels & restaurants (*down 25,000*).

The unemployment rate stood at 3.6 percent, up 0.2 percentage point from a year earlier, partly as the number of jobseekers climbed temporarily with the recruitment of part time workers for the 'Population and Housing Census' scheduled in November.

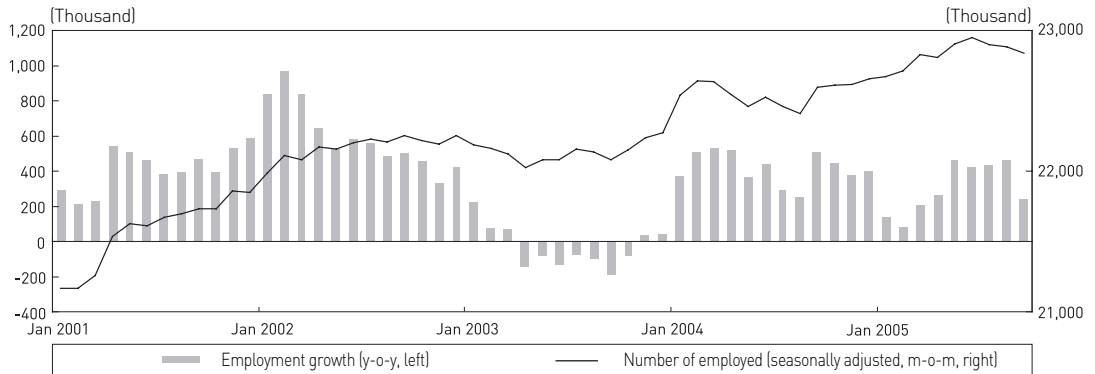
*(Change from same period in previous year, thousand)*

	2004	2005								
	Annual	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Employment growth	418	142	80	205	262	460	424	434	465	239
- Agriculture, forestry and fisheries	-125	-84	-94	-74	4	80	67	81	18	-2
- Manufacturing	85	-2	-18	-35	-52	-38	-65	-79	-59	-96
- Construction	4	-54	-96	-58	-17	50	66	84	69	-14
- Services	456	284	290	371	323	364	352	345	435	350
Unemployment rate (%)	3.5	4.2	4.3	4.1	3.8	3.5	3.6	3.7	3.6	3.6

Employment growth is likely to remain moderate compared to the large increase during the May-August period. The number of newly employed, however, is expected to

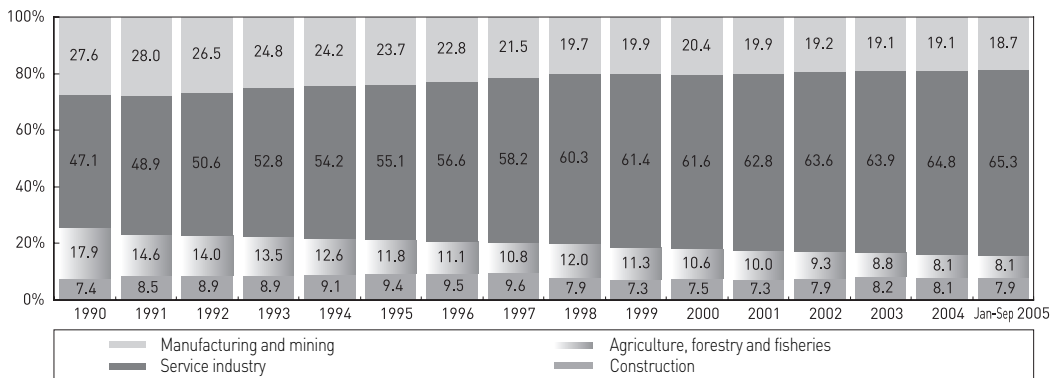
stabilize at around 300,000 as the recovery in domestic demand continues and temporary factors such as *Chuseok* and adverse base effects ease.

Graph 8-1: Number of employed and employment growth



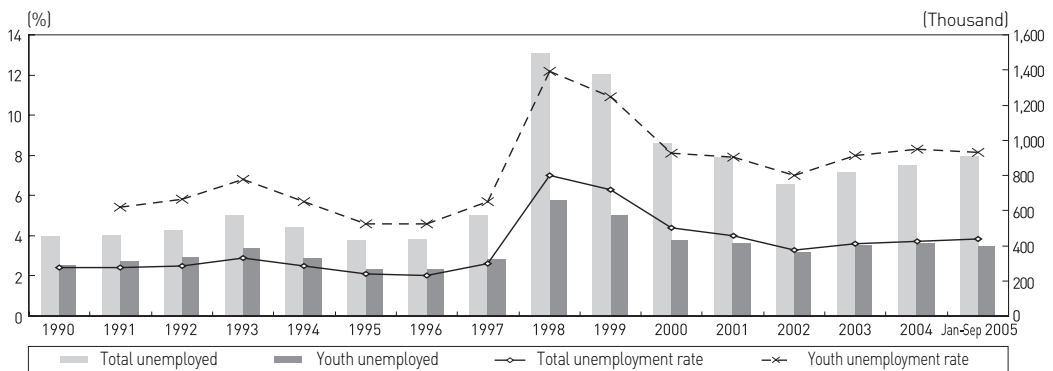
Source: Korea National Statistical Office (employment trend)

Graph 8-2: Share of employed by industry



Source: Korea National Statistical Office (employment trend)

Graph 8-3: Unemployment rate and number of unemployed



Source: Korea National Statistical Office (employment trend)

## 9. Financial markets

### 9.1 Stock market

The KOSPI lost 5.2 percent in October to wrap up the month at 1,158.1 points, while the KOSDAQ was up 2.7 percent to 587.5 points. This was attributed to a continuing sell-off by foreign portfolio investors influenced by interest rate hikes in the US and reduced investment incentives in emerging markets due to the strong dollar. Continued profit taking on the part of foreign investors also continued in October,

which added additional pressure to the Korean stock market.

Net selling by foreign investors amounted to 2,648.9 billion won, while net buying by individual and institutional investors was 1,428.7 billion won and 532.7 billion won respectively.

*[End-period, point, trillion won]*

	KOSPI			KOSDAQ		
	2004	Oct 2005	Change <sup>1</sup>	2004	Oct 2005	Change <sup>1</sup>
Stock price index	895.9	1,158.1	+262.2 (29.7%)	380.3	587.5	+207.2 (54.5%)
Market capitalization	412.5	542.8	+130.3 (31.6%)	31.6	56.5	+24.9 (78.8%)
Average daily trade value	2.2	3.8	+1.6 (72.7%)	0.6	2.2	+1.6 (266.7%)

1. Change from the end of previous year

### 9.2 Exchange rate

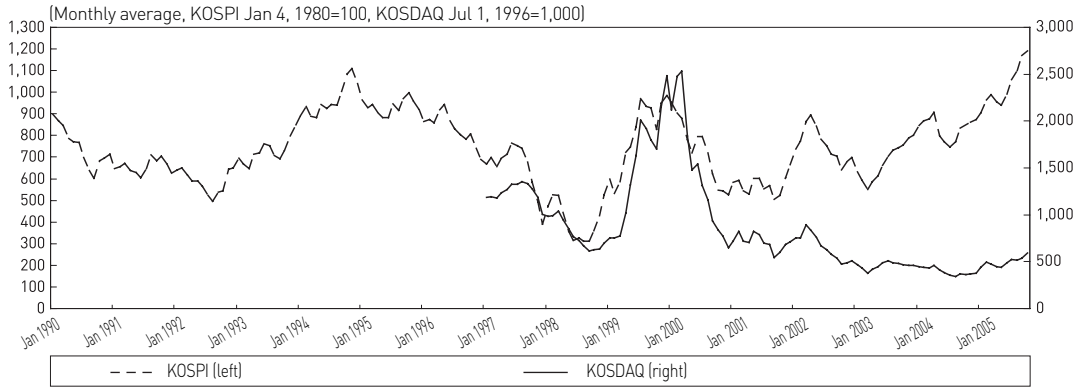
After increasing until mid-October, the won/dollar exchange rate fell at the end of the month. The exchange rate reached the 1,058 won range on October 24, as the dollar gained strength on expectations of continued interest rate hikes by the US Federal Reserve Board, and as foreign investors continued to sell domestic stocks.

The won/dollar exchange rate, however, fell to the 1,040 won range toward the end of October to close the month at 1,040.2 driven by a robust dollar supply. Increased selling of the dollar by domestic exporters and an inflow of dollars after the overseas sale of Hynix shares were contributing to the dollar supply over demand.

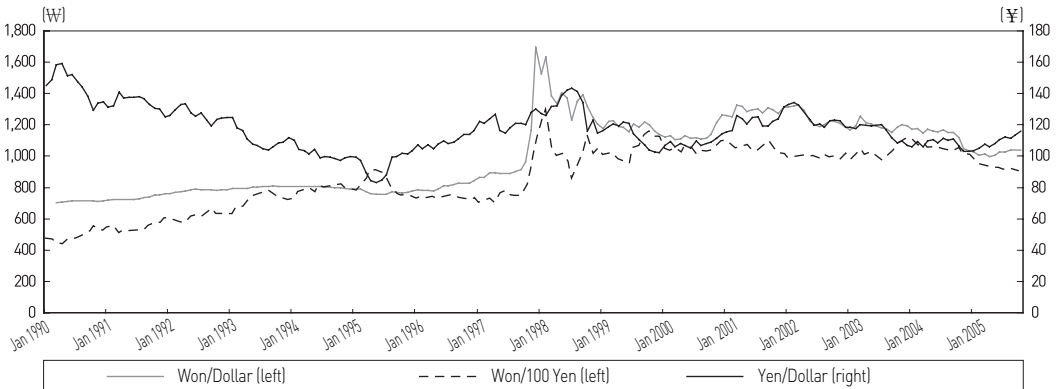
*[End-period]*

	2004	2005			
		Jun	Aug	Sep	Oct
Won/Dollar	1,035.1	1,025.4	1,038.5	1,041.1	1,040.2
Yen/Dollar	102.5	110.2	111.3	113.0	115.6

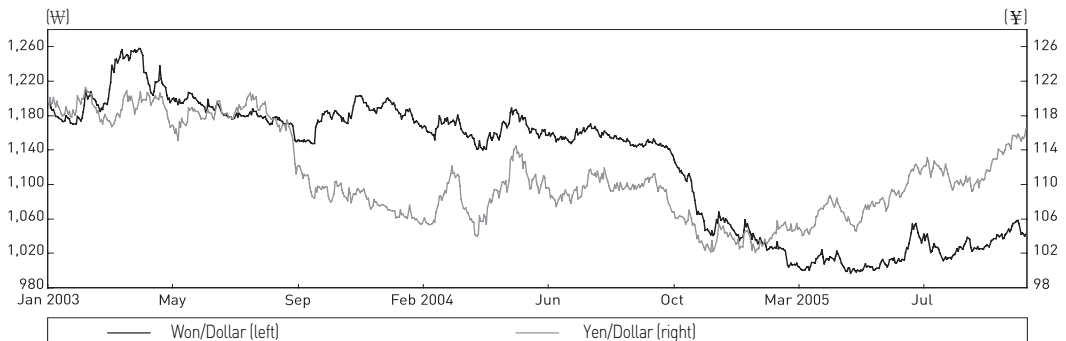
Graph 9-1: Stock prices



Graph 9-2: Foreign exchange rate (month-end)



Graph 9-3: Recent foreign exchange rate



### 9.3 Bond market

Bond yields, such as the Treasury bond yield, continued to increase in October as the Bank of Korea raised the overnight call rate to 3.50 percent from 3.25 percent on October 11 and the third-quarter GDP showed robust growth.

Yields on 3-month CDs climbed slightly as money inflow into money market funds (MMF) decreased.

*(End-period)*

	2005										
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Change <sup>1</sup>
Call rate (1 day)	3.24	3.26	3.25	3.25	3.26	3.27	3.24	3.23	3.25	3.50	+0.25
CD (91 days)	3.57	3.55	3.54	3.48	3.52	3.54	3.49	3.51	3.93	3.95	+0.02
Treasury bonds (3 yr)	4.06	4.04	3.91	3.76	3.67	4.02	4.23	4.16	4.60	4.95	+0.35
Corporate bonds (3 yr)	4.53	4.49	4.34	4.18	4.08	4.41	4.63	4.59	5.00	5.34	+0.34

1. Percentage point change from end September 2005

### 9.4 Money supply & money market

M3 growth in September is estimated to have stayed at mid-six percent, a similar level to that of the previous month, as money supply from overseas decreased despite a healthy credit supply from the private sector.

M1 growth is estimated to have decelerated from the previous month to the mid-12 percent range in September as some money from short-term deposits, such as MMFs, moved to long-term financial instruments including long-term time deposits and equity funds.

*(Percentage change from same period in previous year, average)*

	2004	2005								
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
M1	7.5	5.6	7.7	8.7	8.6	8.8	9.9	12.8	13.9	Mid 12
M2	4.9	5.3	5.3	5.3	5.5	5.5	6.0	7.0	7.1	Mid 6
M3	6.3	6.1	5.8	5.4	5.4	5.6	6.0	6.5	6.5 <sup>1</sup>	Around 6

1. Preliminary figures

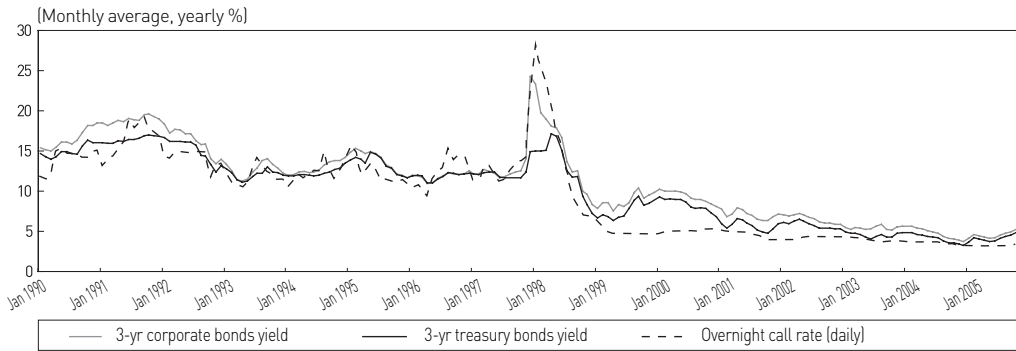
Bank deposits were up a substantial 10.1 trillion won in September after increasing 1.4 trillion won in the previous month, as money from MMFs flowed into instant access accounts and

time deposits. Investment trust management company (ITMC) receipts reversed course to a considerable decline driven by decreased money inflows into MMFs.

*(Average monthly change, trillion won)*

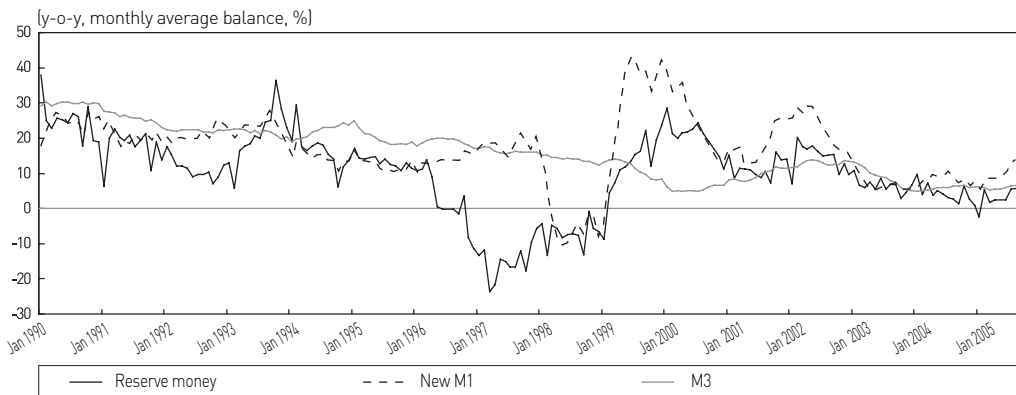
	2004				2005								
	Q1	Q2	Q3	Q4	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Bank deposits	0.9	1.5	-0.6	-2.0	-7.4	11.7	-4.3	9.9	1.9	11.9	-3.1	1.4	10.1
ITMC receipts	5.7	-0.3	4.5	5.2	0.7	4.6	-0.1	3.3	1.3	0.0	8.3	0.9	-13.0

Graph 9-4: Interest rates



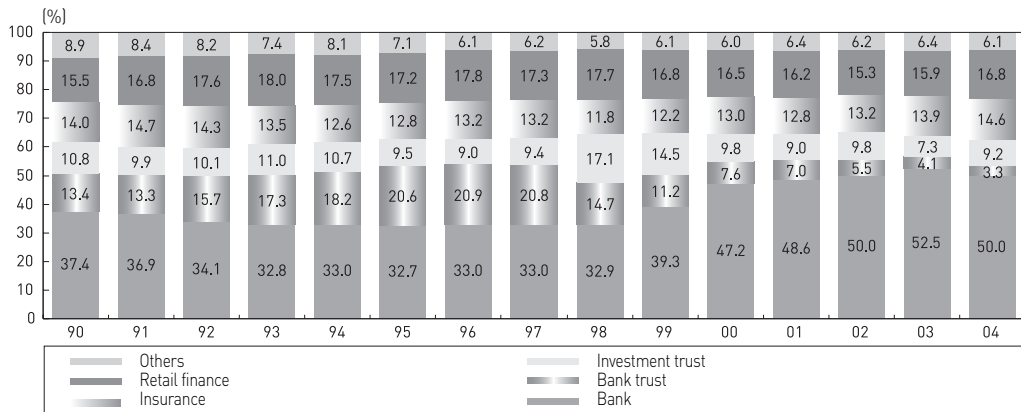
Source: The Bank of Korea

Graph 9-5: Total money supply



Source: The Bank of Korea

Graph 9-6: Share of deposits by financial sector (M3 as of year-end)



Source: The Bank of Korea

\* Retail finance: Mutual savings bank & National Credit Union Federation of Korea, Others: Investment banks, post office savings, etc.

## 10. Balance of payments

Korea's current account reversed course from a deficit of US\$0.5 billion in the previous month to post a US\$1.64 billion surplus in September.

The goods account surplus amounted to US\$2.81 billion, up US\$1.21 billion from the previous month, as exports grew a robust 17.9 percent (*customs clearance basis*) year-on-year

while imports surged 24.4 percent partly due to higher oil prices.

The service account deficit narrowed US\$0.75 billion from the previous month as the transport account surplus remained unchanged from the previous month at US\$0.28 billion and overseas travel expenses and patent rights payments decreased from a month earlier.

	2005			
	Jun	Jul	Aug	Sep
Travel balance (US\$ billion)	-0.86	-0.99	-1.10	-0.80
- General travel	-0.60	-0.68	-0.69	-0.51
- Education & training	-0.26	-0.31	-0.41	-0.29
Number of locals going abroad (thousand)	864.1	1,020.8	1,069.4	785.5

The income account shifted from a US\$40 million deficit to a US\$140 million surplus in September as overseas dividend payments declined, which had increased temporarily in the previous month due to dividend payments by domestic firms which end their fiscal year in December.

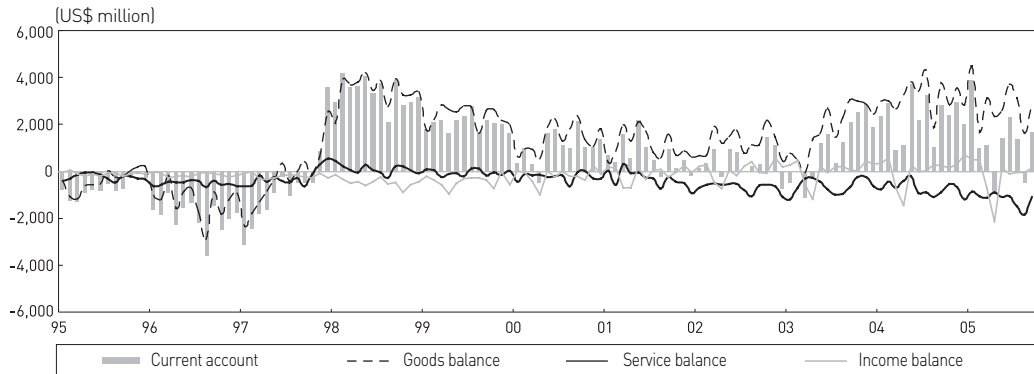
The capital account recorded a net outflow of US\$0.64 billion in September as domestic firms expanded their investments in overseas subsidiaries, institutional investors put more money into overseas mid- and long-term bonds, and foreign portfolio investors continued to sell Korean stocks.

(US\$ billion)

	2004		2005					
	Sep	Jan-Sep	Q1	Q2	Q3 <sup>1</sup>	Aug	Sep <sup>1</sup>	Jan-Sep <sup>1</sup>
Current account	2.81	20.26	5.95	2.76	2.51	-0.5	1.64	11.23
- Goods balance	3.73	28.96	9.29	8.65	7.54	1.61	2.81	25.49
- Service balance	-0.92	-6.36	-3.05	-3.08	-4.46	-1.86	-1.10	-10.59
- Income balance	0.23	-0.44	0.24	-2.10	0.04	-0.04	0.14	-1.82
- Current transfer	-0.24	-1.89	-0.53	-0.50	-0.46	-0.21	-0.21	-1.85
Capital account	-0.99	-1.08	3.21	1.48	-0.91	0.51	-0.64	3.78
- Direct investment	0.28	1.96	-0.68	1.18	-0.41	0.33	-0.23	0.10
- Portfolio investment	-0.45	11.91	-1.33	-2.38	0.18	-0.98	-1.60	-3.52
- Other investment	-0.70	-13.70	5.73	3.34	-0.04	1.38	1.42	9.03
- Capital transfers & net acquisition of non-produced/non-financial assets	-0.11	-1.25	-0.51	-0.67	-0.65	-0.21	-0.23	-1.82

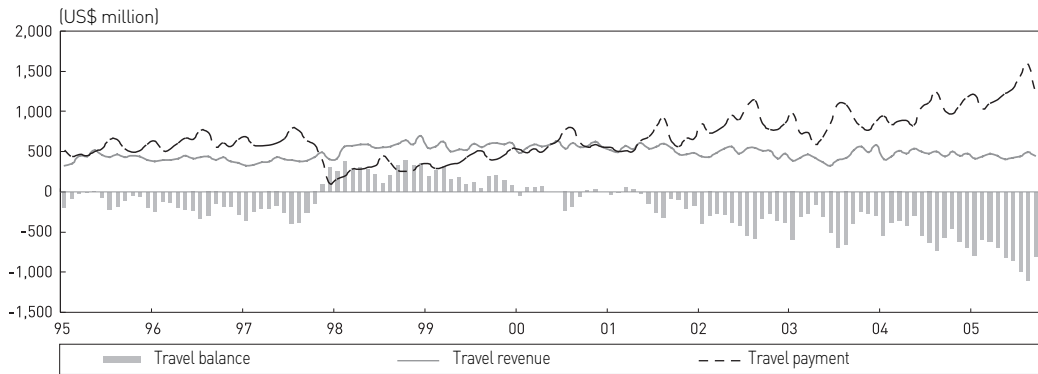
1. Preliminary figures

Graph 10-1: Current account balance



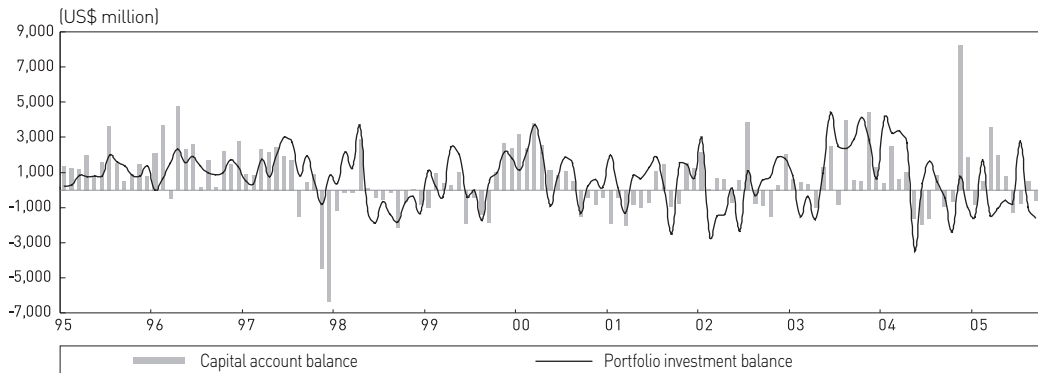
Source: The Bank of Korea (balance of payments trend)

Graph 10-2: Travel balance



Source: The Bank of Korea (balance of payments trend)

Graph 10-3: Capital account balance



Source: The Bank of Korea (balance of payments trend)

# 11. Prices and international commodity prices

## 11.1 Prices

Consumer prices in October rose 2.5 percent from a year earlier with inflation remaining low in the 2 percent range for five consecutive months.

Agricultural product prices continued to stabilize with the exception of some vegetables such as

cabbage and radish, which rose as vegetable cultivation areas were reduced.

Oil product prices remained high rising 10 percent from a year earlier due to high oil prices. However, they declined a slight 0.1 percent from the previous month.

### < Consumer price inflation >

	2004	2005				
	Oct	Jun	Jul	Aug	Sep	Oct
Month-on-Month (%)	0.0	-0.3	0.4	0.3	0.7	-0.2
Year-on-Year (%)	3.8	2.7	2.5	2.0	2.7	2.5

### < Consumer price inflation in major sectors >

*(Percentage change from same period in previous year)*

	Total	Agricultural livestock & fisheries products	Industrial products	Oil products	Public utility	Housing rents	Personal services
Oct 2005 (Contribution ratio, %p)	2.5	0.7 (0.10)	3.9 (1.26)	10.0 (0.62)	2.1 (0.32)	-0.3 (-0.06)	2.9 (0.80)
Oct average 2000-2004	3.2	5.6	2.1	4.9	3.1	3.8	3.6

Year-on-year core inflation excluding agricultural and energy products stood at 1.8 percent due to low aggregate demand pressure

and grain price stabilization. Year-on-year consumer price inflation for basic necessities gained 3.4 percent from a year earlier.

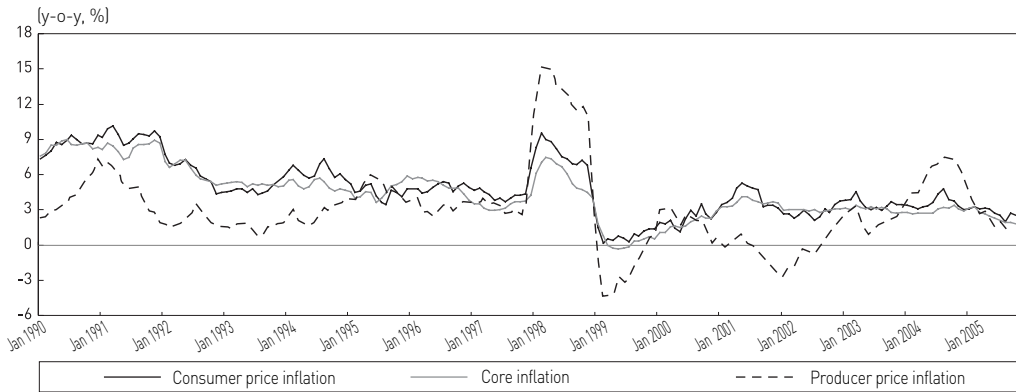
*(Percentage change from same period in previous year)*

	2004	2005					
	Oct	Jun	Jul	Aug	Sep	Oct	Jan-Oct
Core inflation	3.4	2.3	2.1	1.9	1.9	1.8	2.5
Consumer prices for basic necessities	5.6	4.1	3.9	2.8	3.8	3.4	4.2

Consumer prices in November are likely to fall slightly from the previous month as prices for farm produce and oil products are expected to drop month-on-month despite a

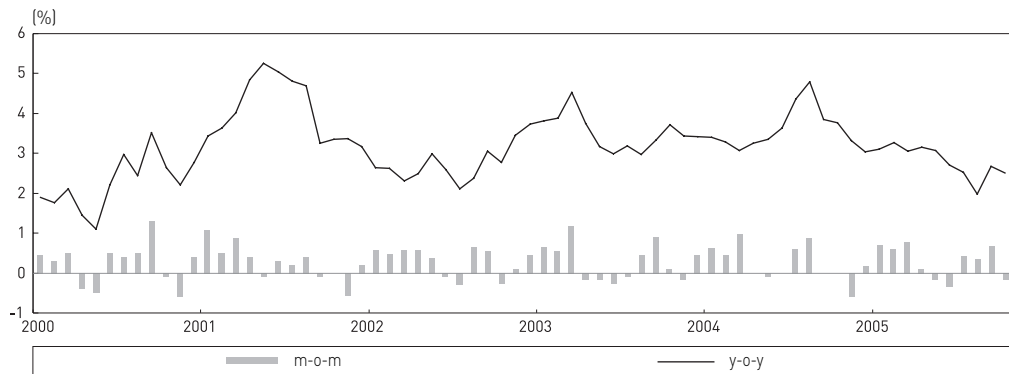
rise in city gas prices beginning November 1. Year-on-year inflation, however, is expected to accelerate to around 3 percent.

Graph 11-1: Prices



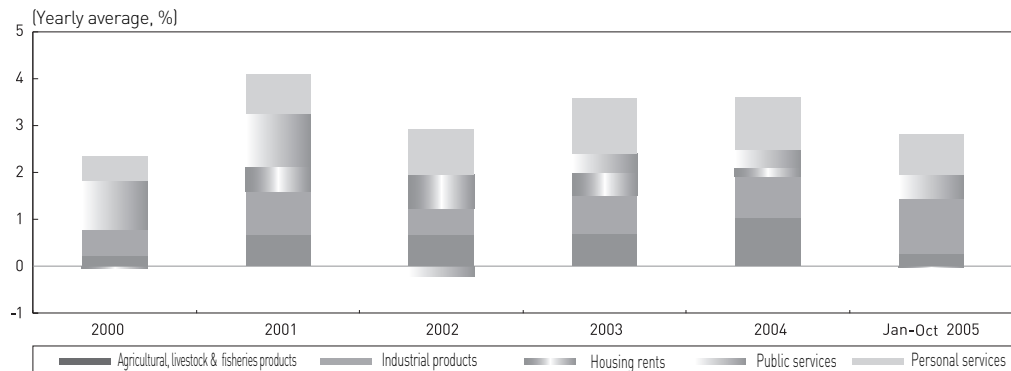
Source: Korea National Statistical Office (consumer prices, core inflation) & The Bank of Korea (producer prices)

Graph 11-2: Consumer price inflation



Source: Korea National Statistical Office (consumer price trend)

Graph 11-3: Contribution to consumer price inflation



Source: Korea National Statistical Office (consumer price trend)

## 11.2. International oil and commodity prices

International oil prices (*Dubai crude*) saw a downward stabilization in October compared to the previous month, as oil demand was expected to decrease given high oil prices and as oil production losses, caused by hurricanes in the US Gulf of Mexico, were partly restored.

Major international agencies cut their oil demand forecasts for 2005-2006 in October. The International Energy Agency (IEA) slashed 1 billion barrels per day (b/d) for 2005 and 2006 respectively from the September estimation, while the Organization of Petroleum Countries (OPEC) cut 2.4 billion b/d for 2005 and 2.8 billion b/d for 2006.

International oil prices, however, are projected to remain high in the 50 dollar range per barrel, affected by limited supply capacity, increased demand in the winter season, and political instability observed in some oil producing countries.

### Record high oil prices in 2005 (US\$/barrel)

Dubai crude: 59.5 (Sep 1)  
Brent crude: 67.8 (Aug 12)  
WTI crude: 69.8 (Aug 30)

(US\$/barrel, average)

	2003	2004		2005			
	Annual	Annual	Dec	Aug	Sep	Oct	Jan-Oct
Dubai crude	26.8	33.6	34.2	56.8	56.8	54.0	48.8
Brent crude	28.7	38.2	40.0	64.4	62.8	58.5	54.0
WTI crude	31.1	41.4	43.2	65.0	65.6	62.3	56.0

### < Outlook for Dubai crude prices by major international agencies (Oct 2005) >

(US\$/barrel)

	CGES <sup>1</sup>	EIA <sup>2</sup>	CERA <sup>3</sup>
2005 average*	49.8	50.6	50.2
2006 average*	53.5	57.5	49.5

1. Center for Global Energy Studies (UK) 2. Energy Information Administration (US) 3. Cambridge Energy Research Association (US)

\* WTI and Brent prices were converted to Dubai prices with average price gap (WTI-Dubai: 7\$/b, Brent-Dubai: 5\$/b) being reflected.

The price of domestic oil products, such as petroleum, fell modestly from a month ago in October on the back of the international oil price stabilization.

### Petroleum prices (won/liter, period average)

1,295 (2003), 1,365 (2004), 1,346 (Dec 2004),  
1,458 (Aug 2005) → 1,525 (Sep) → 1,518 (Oct),  
1,424 (Jan-Oct 2005)

The Reuters index, an indicator of other commodity prices, rose in October from the previous month.

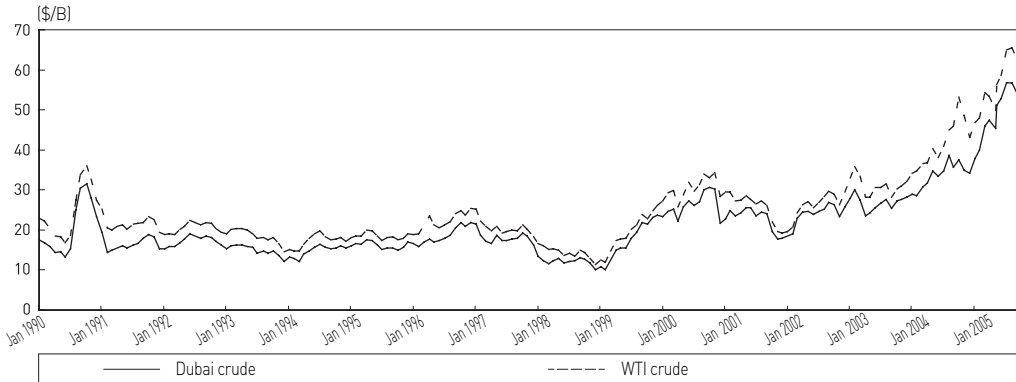
### Reuters index

(a weighted average index of 17 major commodities)  
1,493 (2003), 1,618 (2004), 1,674 (Aug 2005) →  
1,676 (Sep) → 1,730 (Oct), 1,666 (Jan-Oct 2005)

Prices of major grains such as corn and soybean remained stable on improved weather conditions and on the expectations of a good harvest.

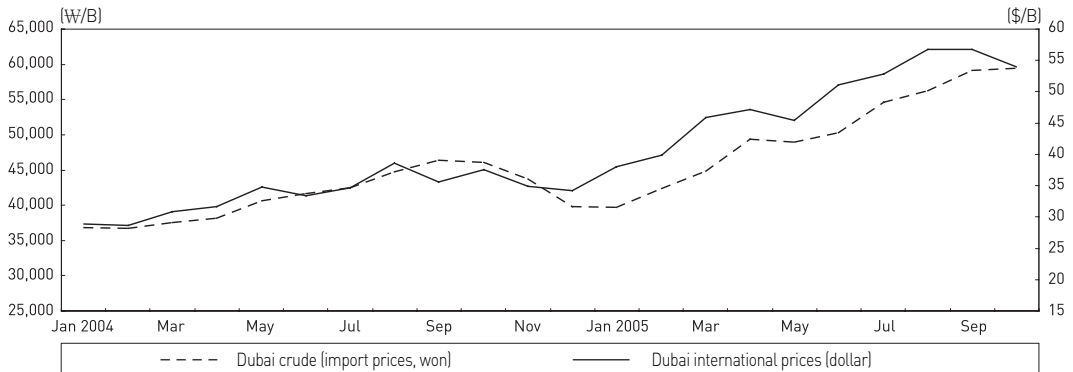
Prices of non-ferrous metals, excluding nickel, rose. Prices of electrolytic cathode copper increased, particularly affected by industrial actions at the manufacturers.

Graph 11-4: International oil prices



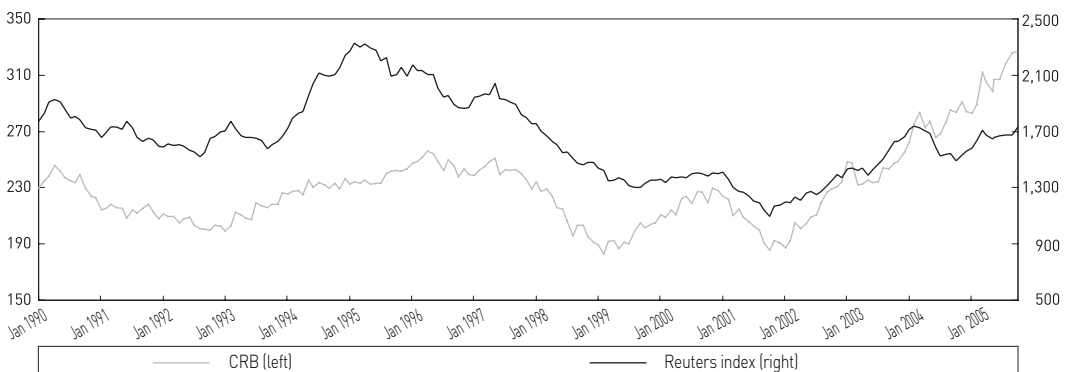
Source: Korea National Oil Corporation

Graph 11-5: International oil prices (Dubai crude) and import prices



Source: Korea National Oil Corporation & Korea Customs Service

Graph 11-6: International commodity prices



Source: Bloomberg (CRB) & The Bank of Korea (Reuters index)

\*CRB demonstrates futures price index of 21 commodities listed on the US Commodity Transaction Market, including beans and other crops, crude oil and jewelry.

## 12. Real estate market

### 12.1 Housing market

Apartment prices in October remained nearly unchanged with growth slowing considerably since July. In particular, the upscale *Gangnam* area of southern Seoul saw prices continue to decline.

Apartment rental prices added 1.0 percent in October from the previous month due to high seasonal demand. However, growth slowed as the moving season almost ended.

#### < Apartment prices >

(Percentage change from the previous period)

		2003	2004	2005														
		Annual	Annual	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Oct 3	Oct 10	Oct 17	Oct 24	
Sales prices	Nationwide	9.6	-0.6	-0.3	0.5	0.6	0.8	0.8	1.2	1.1	0.5	0.2	0.0	0.0	0.0	0.0	0.0	0.0
	Seoul	10.2	-1.0	-0.3	1.0	0.5	1.2	1.0	2.2	1.9	0.4	0.2	-0.2	0.0	0.0	0.0	0.0	0.0
	Gangnam <sup>1</sup>	14.3	-1.3	-0.3	1.7	0.7	1.9	1.5	3.7	2.6	0.2	0.0	-0.4	-0.1	0.0	0.0	0.0	0.0
Rental prices	Nationwide	-0.4	-2.7	-0.4	0.4	0.7	0.6	0.4	0.4	0.3	0.4	1.1	1.0	0.2	0.2	0.2	0.2	0.1
	Seoul	-3.2	-4.4	-0.6	0.2	0.3	0.4	0.1	0.4	0.3	0.7	1.7	1.5	0.2	0.2	0.2	0.2	0.1
	Gangnam <sup>1</sup>	-2.3	-5.2	-0.7	0.4	0.2	0.6	0.3	0.8	0.6	0.7	2.2	1.8	0.3	0.3	0.3	0.3	0.1

1. Upscale area of southern Seoul Source: Kookmin Bank

Apartment sales prices still remain higher than levels seen in September 2003 when the Oct 29 policy, a real estate policy intending to stabilize the housing market, was not yet

in effect. However, apartment rental prices were similar to or lower than levels in September 2003.

#### < Apartment price index >

(Sep 2003=100)

		2000'	2001'	2002'	2003'	2004'	2005						
							Jan	Mar	Jun	Jul	Aug	Sep	Oct
Sales index	Nationwide	65.5	75.0	92.1	100.9	100.3	100.0	101.2	104.0	105.2	105.6	105.9	105.9
	Seoul	58.7	70.0	91.6	100.9	99.9	99.6	101.1	105.6	107.6	108.1	108.3	108.1
	Gangnam <sup>2</sup>	53.5	65.3	88.2	100.8	99.5	99.2	101.6	108.9	111.8	112.1	112.1	111.6
Rental index	Nationwide	73.7	88.4	99.2	98.9	96.2	95.7	96.8	98.2	98.5	98.9	100.0	101.0
	Seoul	74.0	91.2	101.7	98.4	94.1	93.5	93.9	94.7	95.1	95.7	97.4	98.8
	Gangnam <sup>2</sup>	73.4	90.8	100.9	98.6	93.5	92.9	93.5	95.1	95.7	96.4	98.5	100.2

1. End-period

2. Upscale area of southern Seoul

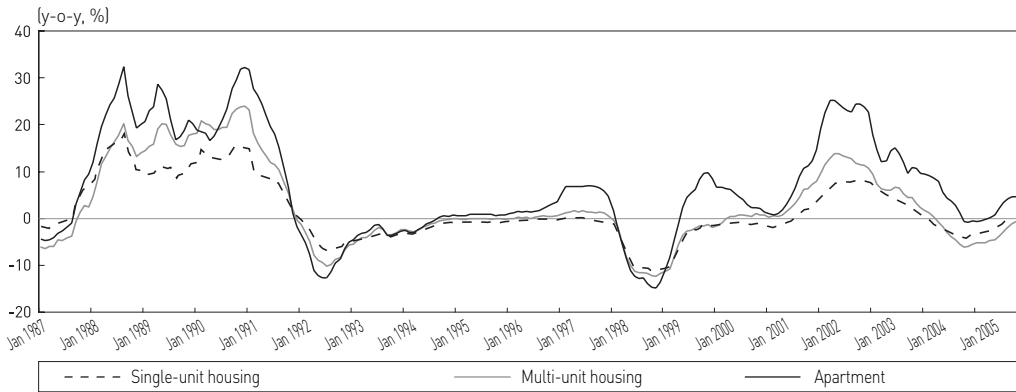
Apartment sales have moderated since May.

#### < Apartment sales transactions >

(Monthly average, thousand)

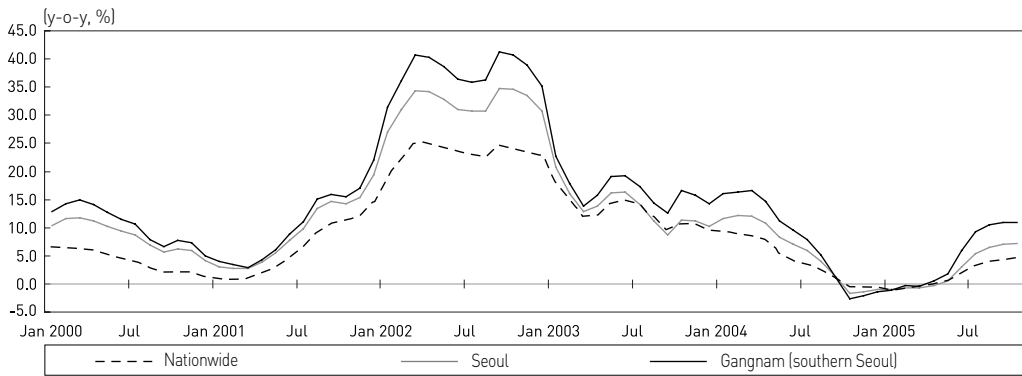
2003	2004	2005									
Annual	Annual	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	
91	64	68	63	90	94	86	85	77	77	66	

Graph 12-1: Real estate prices



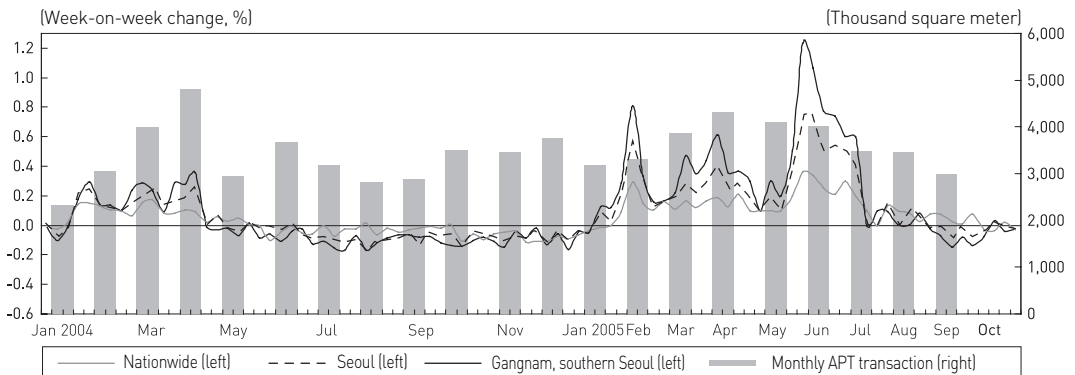
Source: Kookmin Bank (national housing price trend)

Graph 12-2: Apartment prices by region



Source: Kookmin Bank (national housing price trend)

Graph 12-3: Weekly apartment sales prices and monthly transaction volume



Source: Kookmin Bank (weekly APT price trend) & Korea Land Corporation (monthly land trade trend)

## 12.2 Land market

Month-on-month land price inflation stood at 0.19 percent in September, slowing substantially from the previous month.

### < Land prices by region >

(Percentage change from the previous period)

	2003	2004					2005								
	Annual	Q1	Q2	Q3	Q4	Annual	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Nationwide	3.43	1.36	1.09	0.77	0.58	3.86	0.23	0.18	0.35	0.53	0.56	0.79	0.47	0.45	0.19
Seoul	5.23	2.10	0.95	0.59	0.39	4.09	0.19	0.14	0.40	0.73	0.59	1.31	0.49	0.69	0.23
Gyeonggi	5.12	1.96	1.74	1.16	1.13	6.12	0.37	0.26	0.32	0.59	0.88	0.90	0.72	0.47	0.20
South Chungcheong	4.81	2.40	4.65	3.93	0.25	11.65	0.46	0.53	1.15	0.80	0.88	0.81	0.61	0.44	0.21

Amid mounting expectations for various reconstruction and redevelopment projects, land price increases were higher in some parts of the nation such as several provincial cities already selected or potentially chosen as company town or innovation city, and some areas of Seoul designated for new town redevelopment projects.

The top five areas with the steepest rise in land prices include Muju-si, North Jeolla province

(1.59 percent), Sosa-gu, Bucheon-si, Gyeonggi province (0.80 percent), Naju-si, South Jeolla province (0.65 percent), Gongju-si, South Chungcheong province (0.62 percent) and Seongdong-gu, Seoul (0.57 percent).

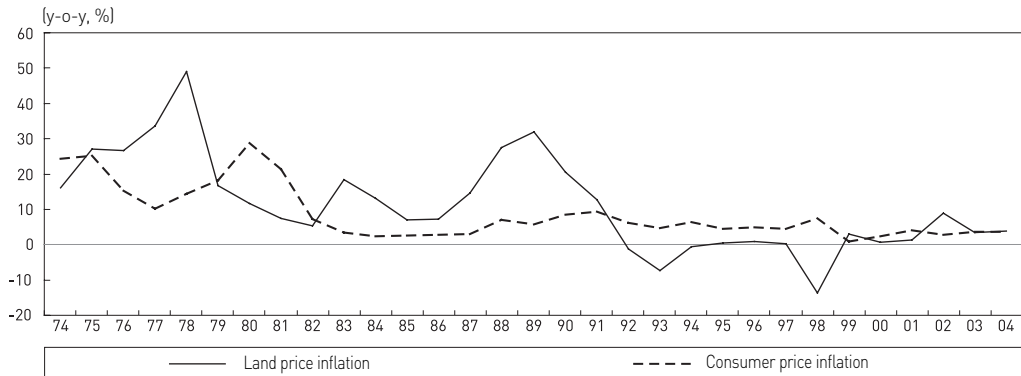
Land transactions decreased led by major areas with the impact of the government's tighter property measures announced on August 31, 2005.

### < Land sales transactions >

(Monthly average, thousand)

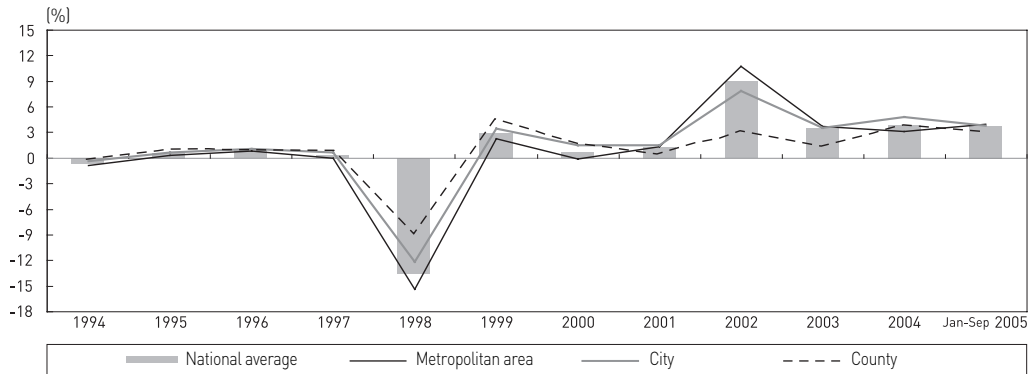
	2003	2004	2005								
	Annual	Annual	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Nationwide	246	218	228	180	279	285	297	287	253	246	210
Gyeonggi	63	52	46	41	58	60	66	63	60	55	50
North Chungcheong	7	8	8	6	10	13	12	12	12	11	9
South Chungcheong	17	20	12	11	19	20	22	31	17	15	11

Graph 12-4: Land and consumer prices since 1970s



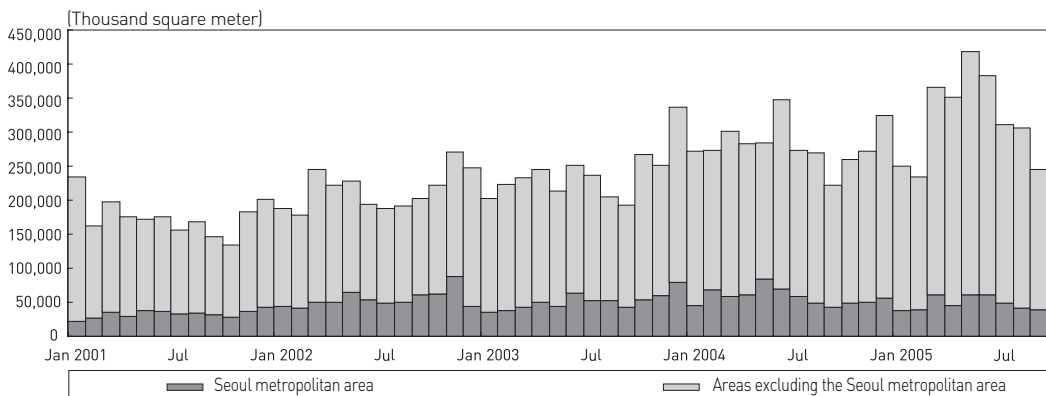
Source: Korea Land Corporation (land prices) & Korea National Statistical Office (consumer prices)

Graph 12-5: Land prices by region



Source: Korea Land Corporation (land price trend)

Graph 12-6: Land trade volume



Source: Korea Land Corporation (land trade trend)

# Economic News Briefing

## Fitch Upgrades Korea's Sovereign Rating

Fitch ratings upgraded Korea's long-term foreign currency rating by one notch to 'A+' from 'A-' on October 24, citing reduced security risks across the Korean Peninsula following North Korea's agreement to abandon its nuclear weapons program. The ratings outlook is 'Stable.'

"South Korea's ratings have been constrained by concerns about threats posed by a nuclear-armed North," said James McCormack, Head of Asia Sovereigns at Fitch. "These concerns have not been alleviated in full, but the risks have diminished with the focus of the six-party negotiations now shifting from whether North Korea would abandon its weapons program to how and when the program will be abandoned," he added.

Along with the increased security, the continued prudent public finance management and the strong external position, as seen in the government's low debt ratio and strong exports, were other reasons cited for the upgrade, according to the ratings agency.

The rating of 'A+' is one notch below the pre-financial crisis level of 'AA-', the same as Taiwan's and one notch above China's. The first rise in sovereign credit standing by Fitch in three years, which came on the heels of Standard and Poor's upgrade in July, is expected to help Korean companies and financial institutions borrow from overseas with less costs. It will also have positive effects on the business activities of local businesses in overseas markets by improving the nation's overall image in the mid to long-term.

## Korean Economy Grows a Robust 4.4% in Q3

Korea's real gross domestic product (GDP) rose 4.4 percent from a year earlier in the third quarter driven by recovering domestic demand and strong exports, according to a preliminary report released by the Bank of Korea (BOK). This follows an increase of 3.3 percent in the second quarter and marked the fastest year-on-year growth in a year. Seasonally adjusted, real GDP gained 1.8 percent from the previous quarter, the strongest quarter-on-quarter growth in almost two years.

The central bank said the GDP data indicate the economy is on a fast recovery track as demand for goods and services is recovering.

Private consumption climbed 4 percent from a year earlier, the fastest year-on-year growth in 11 quarters, as expenditures on durable goods such as TV sets, computers and automobiles grew. Quarter-on-quarter, it also rose 1.2 percent, maintaining growth of over 1 percent for two consecutive quarters.

Investment in plants and equipment grew 4.5 percent year-on-year with a turnaround in investment in the auto, aviation and other

vehicle-related industries. The growth rate of construction investment fell to 0.4 percent from 1.7 percent in the second quarter, hit by the recent government crackdown on real estate speculation.

The third quarter exports grew 13.5 percent from a year ago and 6.5 percent from the previous quarter, the largest quarterly gain since the third quarter last year.

The BOK data boosts optimism that the Korean economy is rebounding strongly after being mired in a long-term slump from weak consumer spending.

### < Growth by economic activity and expenditure >

(Percentage change from same period in previous year)

	2004 <sup>1</sup>					2005 <sup>1</sup>			
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q1 - Q3
GDP	5.3	5.5	4.7	3.3	4.6	2.7	3.3	4.4	3.5
Seasonally adjusted (q-o-q)	0.7	0.6	0.8	0.9	-	0.4	1.2	1.8	-
Non-agriculture, forestry & fisheries	5.2	5.6	4.7	2.8	4.5	2.7	3.2	4.4	3.5
Seasonally adjusted (q-o-q)	0.3	0.8	0.8	0.9	-	0.4	1.2	2.0	-
Agriculture, forestry & fisheries	6.8	3.1	5.3	10.4	7.4	2.6	4.6	1.8	3.1
Manufacturing	12.2	13.7	12.0	8.0	11.4	5.3	5.2	7.0	5.8
Electricity, gas & water supply	6.3	6.6	7.4	4.3	6.2	6.3	7.3	5.4	6.3
Construction	4.9	3.7	2.2	-2.2	1.7	-3.0	1.7	0.6	0.1
Services	1.5	1.7	1.3	0.6	1.3	2.2	2.5	3.3	2.7
Private consumption	-1.3	-0.5	-0.8	0.6	-0.5	1.4	2.8	4.0	2.7
Government expenditure	3.0	4.2	2.9	1.9	3.0	3.2	4.1	4.5	3.9
Facility investment	-0.3	6.2	6.8	2.5	3.8	3.1	2.9	4.2	3.4
Construction investment	4.9	3.6	1.3	-3.4	1.1	-2.9	1.7	0.4	0.0
Exports (goods)	29.2	29.2	18.0	10.5	21.0	8.1	6.5	13.5	9.3
Imports (goods)	12.7	22.2	12.5	8.8	13.8	3.1	3.6	10.0	5.6
GDI	4.7	4.8	3.6	2.1	3.7	0.5	0.3	0.2	0.3
Seasonally adjusted (q-o-q)	0.2	0.8	0.8	0.0	-	-0.7	0.3	0.6	-

1. Preliminary figures

### **Korea Has ‘Most Improved Transparency’ in Asia-Pacific**

Korea ranked 40<sup>th</sup> of 159 countries surveyed in the global Corruption Perceptions Index (CPI) this year, climbing from last year’s rank of 47 out of 146 countries, according to the report issued by the Transparency International (TI) on October 18.

Scoring five out of 10, Korea is “the largest improver in Asia compared with last year,” said the report. This year, Iceland came first with 9.7, switching with Finland, which took first place last year. Finland and New Zealand followed at second with 9.6, while Bangladesh and Chad came in last, both scoring 1.7.

Korea “has made significant progress in developing institutional and legal framework against corruption, beginning with the inauguration of the Korean Independent Commission Against Corruption (KICAC) in 2002 and continuing in 2005 with the launch of the landmark K-PACT on anti-corruption and transparency, initiated by TI Korea and the leaders concerned in politics, the public sector, business and civil society,” the report said.

Korea’s transparency also improved among the 30 member countries of the Organization for Economic Cooperation and Development (OECD), ranking 22<sup>nd</sup> this year, a two-step rise from the 24<sup>th</sup> place it maintained since 2001. Among 12 countries in Asia, South Korea came sixth, in the same position as last year. Singapore and Hong Kong led the regional ranking,

recording fifth and 15<sup>th</sup> in the global ranking, respectively.

“We think the government’s efforts to fight corruption are beginning to be visible both at home and abroad,” said Chung Soung-jin, chairman of the KICAC. “Recently, international institutions such as the International Institute for Management Development and the World Economic Forum have also rated Korea higher in transparency indexes.”

Kim Sang-geun, chairman of TI Korea, said the proper implementation of the K-PACT, nationwide education on anti-corruption, and parliamentary ratification of the United Nations Convention Against Corruption, which is scheduled to take effect from December 14 this year, are necessary to move closer to a more transparent society.

### **US\$1.0 billion Equivalent Dual Tranche Euro and USD Global Bond Offering**

Korea (A3/A/A+) successfully priced a US\$1 billion equivalent dual tranche global bond offering on October 26 (EUR tranche: €500 million, USD tranche \$400 million).

Korea is the only OECD member in Asia, excluding Japan, and as such the sovereign benefits from a zero percent risk weighting. This drove significant demand from risk-weighting-sensitive investors in Europe, which as a region dominated the demand and allocation profiles for both transactions.

Overall demand was also very strong. Significant momentum with demand from more than 150 international investors allowed Korea to tighten pricing for the euro tranche from initial guidance of MS+30 bps area to MS+25 bps and the USD tranche from UST+105 bps area to UST+95 bps.

The offering achieved the tightest pricing in euros for an Asian sovereign issuer. Korea came 3 to 4 bps tighter than China and on an ASW level it came 1 bps through the Korea 2014 and approximately 3 to 4 bps inside a new USD 10-year issue.

It is also by far the tightest 10-year funding spread for a long-dated issue for an Asian issuer with the 20 year USD issue pricing roughly 25 bps (over mid swaps) and 22.5 bps (on an ASW basis) of a new 10 year level. This compares extremely favorably to the average 30-35 bps spread for single-A rated entities in the USD market, and even to AA-rated sovereigns like Italy (Aa2/AA-), which have a 35 bps spread curve.

Korea could drive strong demand from an international investor base with a successful roadshow that covered major cities in both Europe and the US. The total order book was approximately 5 times oversubscribed after announcing the initial price guidance which took place after the initial day of the roadshow.

The success of this latest benchmark reflects investors' continuing confidence in the durability of Korea's economic achievements and positive views on the country's credit strength going forward,

despite recent turbulence in the geopolitical environment.

ABN AMRO, Citigroup, Goldman Sachs, and UBS were the joint book runners and lead managers for the transaction

### Korea Tops in R&D Growth

Korea last year posted the highest annual growth rate in the world in corporate research and development (R&D) investment, according to the International R&D Scoreboard on October 24. The country's annual growth in R&D investment stood at 40 percent in 2004. Big companies, such as Samsung Electronics, Hyundai Motor and LG Electronics, were major contributors to the stellar growth.

The R&D Scoreboard, published by the UK Department of Trade and Industry (DTI), lists the world's top 1,000 companies by R&D spending. Other countries that increased R&D spending last year included Taiwan (*17 percent*), the United States (*7 percent*) and Japan (*4 percent*). In total R&D investment around the world, DaimlerChrysler topped the scoreboard, followed by Pfizer, Ford and Toyota.

On the other hand, Korea ranked fourth in the ratio of investment in knowledge to GDP which recorded 5.8 percent in 2002, according to the 'OECD Science, Technology and Industry Scoreboard 2005' report released on October 6. Sweden (*6.8 percent*) ranked first followed by the US (*6.7 percent*) and Finland (*6.0 percent*) in the ratio.

Investment in knowledge is defined and calculated as the sum of expenditures on R&D, on total higher education from both public and private source and on software.

### **Korean Companies Positive on Foreign Investment**

Local companies issued a positive assessment on the performance and management of foreign invested companies and on the impact on domestic industries through foreign direct investment, according to a survey on the correlation between domestic industries and foreign investments conducted by the Ministry of Commerce, Industry and Energy (MOCIE).

In particular, they estimated foreign invested companies as largely contributing to progress in corporate management and technology, giving scores of 4.8 and 4.7 on average out of 7. Foreign invested firms are also considered as having helped improve product quality (4.6) and promoted technology development (4.5). Domestic electric and electronic companies most favorably assessed the contribution of foreign invested firms towards growth in technology (4.9), while semiconductor and chemical companies most largely felt foreign companies' contribution towards advance in management (4.9).

### **Outbound Investment to Hit Record High**

South Korea's overseas investment and individuals' spending abroad are expected to

hit an all-time high this year, a key reason behind sluggish domestic demand.

The outbound direct investment by Korean institutional and individual investors amounted to US\$6.54 billion in the first nine months of this year, up 15.4 percent from a year earlier.

If the current robust double-digit growth rate continues throughout the remainder of the year, Korea's overseas investment is forecast to reach US\$8.73 billion by year's end, exceeding the previous record of US\$8.06 billion set in 2004.

Overseas investment by small and medium enterprises (SMEs) totaled US\$2.64 billion in the January-September period and is estimated to reach US\$3.51 billion, the highest ever, by the end of the year. Overseas investment by SMEs hit a record US\$3.07 billion last year.

Large companies accounted for US\$3.25 billion, or 50 percent, of total overseas investment in the January-September period.

Direct overseas investment by individual investors made up the remaining US\$660 million in the first nine months and is expected to reach US\$807 million by year's end. The estimated figure is greater than the US\$710 million of the whole 2004.

Meanwhile, Korea's gross offshore expenditure amounted to 3.08 trillion won in the first quarter and 3.2 trillion won in the second quarter. Its aggregate overseas expenditure is forecast to hover between 3.7

trillion won and 4 trillion won in the third quarter, up 20-30 percent from the same quarter a year ago.

Overseas spending in the first three quarters of the year is forecast to reach between 9.9 trillion won and 10.3 trillion won, compared to 10.7 trillion won for all of 2004. This means that full-year overseas spending is also expected to reach a record high.

In contrast, domestic investment and consumption remained dull in the cited period. Corporate investment in plants and equipment recorded negative growth for two months in a row - declines of 0.7 percent in August and 2 percent in September - according to the National Statistical Office.

## **[Reference]**

### **Economic Survey of Korea 2005: Executive Summary**

*The following is the Executive Summary of the OECD assessment and recommendations, taken from the **Economic Survey of Korea 2005** published on October 5, 2005.*

Korea's rapid economic development has lifted its per capita income from one-third to two-thirds of the OECD average during the past two decades. The economy is changing profoundly as a result of the structural reform programme launched after the 1997 crisis and increasing integration with the world economy. However, the delayed recovery of domestic demand from the 2003 recession has created concern about Korea's growth prospects over the medium term. Although there are signs of a rebound in domestic demand, sustaining high growth requires further progress in structural reform to boost productivity gains, as well as appropriate macroeconomic policies.

#### **Macroeconomic policies should promote stability and balanced growth.**

The medium-term inflation target should remain the focus of monetary policy. Market-friendly policies should be used to deal with real estate price increases in some areas, while keeping the short-term policy rate low

until there is a sustained recovery in aggregate demand. With foreign exchange reserves surpassing \$200 billion, more than three times short term foreign debt, the reduction in foreign exchange market intervention since the beginning of 2005 is appropriate to promote more balanced demand growth. The plans for fiscal stimulus, including public-private partnerships for infrastructure investment, should be pursued cautiously. The priority should be to limit increases in public spending and debt, given that population ageing is projected to be the most rapid in the OECD area. Reform of the public pension system is thus urgent to ensure its sustainability and limit the necessary rise in contribution rates.

#### **Improving the relationship between levels of government is important to increase the efficiency of the public sector.**

*First*, there should be a clear division of responsibility and an upgrading of the

capacity of local governments to enable them to exercise more power. The general local governments should have more influence on education, while providing more support, through stronger linkages with the local education authorities, with a final aim of merger. *Second*, the complicated local tax system should be simplified, while reducing the large role of property transaction taxes, and local tax revenue should be expanded, while increasing local governments' tax autonomy. *Third*, the shift from earmarked to block grants should continue, while simplifying the formula for the Local Share Tax. *Fourth*, increased autonomy at the local level should be accompanied by measures to ensure fiscal soundness. *Fifth*, the concerns about balanced regional development should be met through well-designed and transparent transfers, while addressing externalities due to concentration in the capital region through market-based instruments.

### Upgrading the innovation framework is a key to faster productivity growth.

A number of reforms are needed to make sure that Korea obtains full value for money from its relatively large investment in R&D and education.

- The *R&D system should be upgraded* by enhancing links between business,

government, academic and foreign research institutes, with universities playing a greater role. Flexibility in allocating R&D funds is important to avoid excessive emphasis on areas identified as future growth engines. Market friendly policies should be used to encourage the risk capital market and the venture business sector.

- *Competition should be strengthened*, particularly in the service sector where labour productivity is only about half of that in manufacturing to encourage the development and diffusion of innovation.
- The *tertiary education sector should be restructured* based on increased competition between institutions, including those from abroad, to improve its quality. Funding for education needs to be rebalanced between levels to upgrade the quality of tertiary education, which has fallen during its period of rapid expansion.

### Policies to improve the functioning of the labour market are essential, while encouraging greater labour force participation.

The rising share of non-regular workers, who account for a third of employees, raises both equity and efficiency concerns. Relaxing employment protection for regular workers

and improving the coverage of the social safety net, especially for non-regular workers, would enhance flexibility and reduce labour market dualism. Family-friendly measures to boost the relatively low participation rate of prime-age women are key to coping with rapid population ageing. It is also important to raise the effective age of retirement of employees from around 50, in part by reforming the seniority-based wage system and replacing the retirement allowance with a company pension system.

**Further restructuring of the corporate and financial sectors is required to increase efficiency.**

While the large business groups (chaebol) have improved their soundness, it is

important to increase competition, further implement the new corporate governance framework and improve financial supervision to strengthen market forces and prevent corporate misconduct. Moreover, it is essential to remain open to foreign investment. The deteriorating performance of small and medium-sized enterprises (SMEs) makes the restructuring of this sector a priority, while reducing government lending guarantees. Addressing the problems in the non-bank financial sector, which is heavily exposed to SMEs, is also essential. Another priority is to encourage the development of the capital market, which would enhance growth in an ageing society. The privatisation of government-owned banks should continue.

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## 1. National accounts

(Year-on-year change, %)

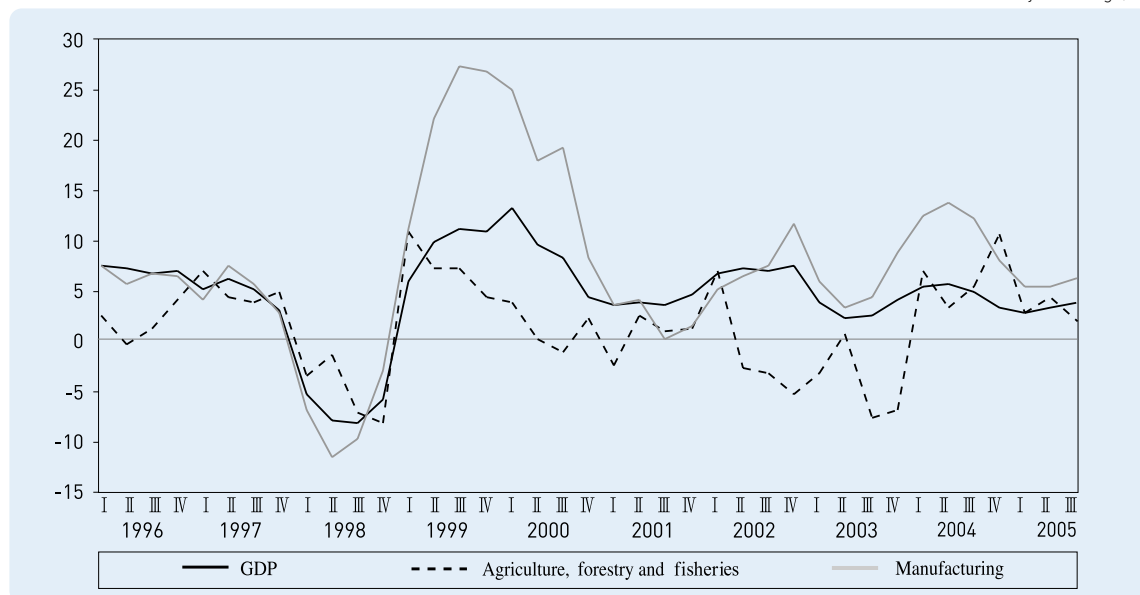
Period	Real GDP at constant prices			Final consumption expenditure	Gross fixed capital formation		
	Agri., fores. & fisheries	Manufacturing			Construction	Facilities	
1996	7.0	2.3	6.4	7.0	8.4	7.5	9.2
1997	4.7	4.6	4.9	3.2	-2.3	2.3	-9.6
1998	-6.9	-6.4	-7.9	-10.6	-22.9	-12.4	-42.3
1999	9.5	5.9	21.8	9.7	8.3	-3.7	36.8
2000	8.5	1.2	17.0	7.1	12.2	-0.7	33.6
2001	3.8	1.1	2.2	4.9	-0.2	6.0	-9.0
2002	7.0	-3.5	7.6	7.6	6.6	5.3	7.5
2003	3.1	-5.3	5.5	-0.3	4.0	7.9	-1.2
2004 <sup>a</sup>	4.6	7.4	11.4	0.2	1.9	1.1	3.8
2001 I	3.5	-2.4	3.4	2.2	-3.7	1.0	-9.4
2001 II	3.7	2.4	4.1	4.2	-3.5	0.8	-10.6
2001 III	3.4	0.9	0.0	5.7	-0.5	9.6	-14.2
2001 IV	4.6	1.2	1.3	7.3	6.2	10.7	-1.3
2002 I	6.5	6.7	5.2	9.4	7.7	11.0	3.3
2002 II	7.0	-2.7	6.2	8.5	7.3	6.0	8.0
2002 III	6.8	-3.2	7.4	7.3	2.4	-2.4	9.1
2002 IV	7.5	-5.5	11.4	5.3	9.1	8.4	9.6
2003 I	3.8	-3.3	5.8	1.2	4.7	7.7	2.3
2003 II	2.2	0.5	3.3	-0.6	4.2	7.9	-0.4
2003 III	2.3	-7.8	4.2	-1.0	2.7	7.7	-4.6
2003 IV	4.1	-6.9	8.6	-0.9	4.3	8.3	-2.0
2004 <sup>a</sup> I	5.3	6.8	12.2	-0.5	2.2	4.9	-0.3
2004 <sup>a</sup> II	5.5	3.1	13.7	0.4	4.3	3.6	6.2
2004 <sup>a</sup> III	4.7	5.3	12.0	-0.1	3.0	1.3	6.8
2004 <sup>a</sup> IV	3.3	10.4	8.0	0.9	-1.2	-3.4	2.5
2005 <sup>a</sup> I	2.7	2.6	5.3	1.7	0.1	-2.9	3.1
2005 <sup>a</sup> II	3.3	4.6	5.2	3.0	2.1	1.7	2.9
2005 <sup>a</sup> III	4.4	1.8	7.0	4.1	1.8	0.4	4.2

p: preliminary

Source: The Bank of Korea

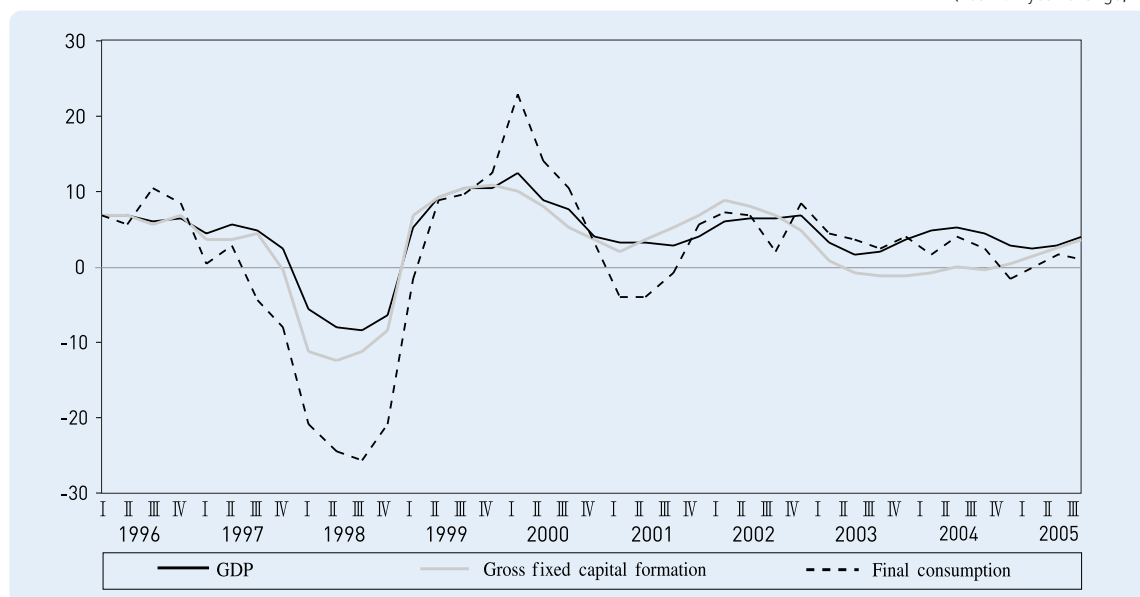
## Growth rate by economic activity

(Year-on-year change, %)



## Growth rate by expenditure on GDP

(Year-on-year change, %)



## 2. Production, shipment and inventory

See graphs 6-1, 6-3, 7-1, 7-2 &amp; 7-3

[2000=100]

Period	Production index		Shipment index		Inventory index		Service production index	
	Production index	Y-o-Y change (%)	Shipment index	Y-o-Y change (%)	Inventory index	Y-o-Y change (%)	Service production index	Y-o-Y change (%)
2001	100.7	0.7	101.3	1.3	105.3	0.4	106.1	6.1
2002	108.8	8.0	109.2	7.8	104.5	-0.8	116.1	9.4
2003	114.2	5.0	113.7	4.1	110.4	5.6	117.2	0.9
2004	126.1	10.4	124.1	9.1	120.8	9.4	117.9	0.6
2002								
I	103.6	6.7	104.9	7.4	101.9	-8.9	111.2	10.0
II	109.0	7.1	109.5	6.7	102.8	-5.9	116.9	10.3
III	106.2	6.9	106.1	6.2	102.1	-3.3	115.9	9.8
IV	116.1	11.2	116.3	10.8	104.5	-0.8	120.3	8.0
2003								
I	109.9	6.1	109.5	4.4	111.7	9.6	113.3	1.9
II	112.4	3.1	112.6	2.8	112.3	9.2	118.0	0.9
III	109.4	3.0	108.8	2.5	110.3	8.0	116.5	0.5
IV	125.0	7.7	124.1	6.7	110.5	5.6	121.0	0.6
2004								
I	122.3	11.3	120.5	10.0	116.8	4.6	115.7	2.1
II	126.7	12.7	124.8	10.8	115.7	3.0	119.1	0.9
III	121.9	11.4	119.8	10.1	116.0	5.2	115.9	-0.5
IV	133.4	6.7	131.3	5.8	120.8	9.4	120.8	-0.2
2005								
I	127.0	3.8	124.7	3.5	127.8	9.4	116.5	0.7
II	131.8	4.0	129.2	3.5	124.8	7.9	121.9	2.4
III <sup>p</sup>	130.3	6.9	127.0	6.0	123.8	6.7	122.0	5.3
2003								
1	109.9	3.8	108.9	3.4	109.4	1.3	113.7	2.9
2	103.3	9.9	103.5	7.4	110.4	5.7	107.5	2.1
3	116.4	4.9	116.1	2.8	111.7	9.6	118.7	0.8
4	113.6	2.0	113.6	1.4	113.1	10.1	118.4	1.4
5	111.4	-0.8	111.8	-1.2	113.0	11.3	118.0	-0.5
6	112.2	8.5	112.4	8.8	112.3	9.2	117.7	2.1
7	108.1	0.8	106.7	1.2	113.3	8.7	116.9	0.6
8	108.0	1.5	107.2	1.2	113.0	7.5	115.1	0.9
9	112.0	6.7	112.4	5.0	110.3	8.0	117.6	0.2
10	125.8	7.6	125.3	6.9	109.6	6.1	119.0	0.1
11	122.0	4.7	121.3	3.6	109.4	5.9	118.8	0.3
12	127.3	10.7	125.7	9.8	110.4	5.6	125.3	1.4
2004								
1	115.1	4.7	113.3	4.0	113.7	3.9	113.7	0.0
2	121.3	17.4	119.0	15.0	116.4	5.4	111.7	3.9
3	130.5	12.1	129.2	11.3	116.8	4.6	121.7	2.5
4	126.5	11.4	125.2	10.2	114.8	1.5	118.9	0.4
5	126.9	13.9	124.4	11.3	117.1	3.6	118.7	0.6
6	126.7	12.9	124.8	11.0	115.7	3.0	119.6	1.6
7	122.7	13.5	119.9	12.4	117.2	3.4	116.2	-0.6
8	119.8	10.9	117.8	9.9	117.1	3.6	114.3	-0.7
9	123.2	10.0	121.7	8.3	116.0	5.2	117.3	-0.3
10	133.1	5.8	131.5	4.9	116.1	5.9	118.1	-0.8
11	134.1	9.9	132.5	9.2	118.7	8.5	118.3	-0.4
12	133.1	4.6	129.9	3.3	120.8	9.4	126.1	0.6
2005								
1	131.6	14.3	127.4	12.4	128.4	12.9	114.8	1.0
2	112.4	-7.3	111.7	-6.1	127.2	9.3	111.1	-0.5
3	136.9	4.9	134.9	4.4	127.8	9.4	123.6	1.6
4	131.4	3.9	128.7	2.8	128.6	12.0	121.1	1.9
5	132.2	4.2	128.7	3.5	129.2	10.3	121.8	2.6
6	131.9	4.1	130.2	4.3	124.8	7.9	122.8	2.7
7	131.2	6.9	127.6	6.4	127.2	8.5	121.3	4.4
8 <sup>p</sup>	127.5	6.4	125.2	6.3	123.4	5.4	121.0	5.9
9 <sup>p</sup>	132.1	7.2	128.3	5.4	123.8	6.7	123.6	5.4

p: preliminary

Source: Korea National Statistical Office

### 3. Production capacity and operation ratio

See graph 6-2

Period	Production capacity index (2000=100)	Y-o-Y change (%)	Operation ratio index (2000=100)	Y-o-Y change (%)	Average operation ratio (%)
2001	103.5	3.5	95.9	-4.1	75.3
2002	106.3	2.7	99.7	4.0	78.4
2003	109.8	3.3	99.7	0.0	78.3
2004	115.1	4.8	102.5	2.8	80.3
2002					
I	105.0	2.7	96.0	2.0	77.9
II	106.0	3.1	102.5	3.3	78.3
III	106.6	2.3	97.5	3.0	78.7
IV	107.7	2.8	102.9	7.5	78.7
2003					
I	108.8	3.6	97.2	1.3	78.5
II	109.7	3.5	100.9	-1.6	77.3
III	109.6	2.8	95.0	-2.6	76.9
IV	111.2	3.2	105.7	2.7	80.5
2004					
I	113.0	3.9	101.1	3.9	81.5
II	115.3	5.1	104.9	4.0	80.4
III	115.6	5.5	98.3	3.5	79.2
IV	116.5	4.8	105.8	0.1	80.4
2005					
I	117.1	3.6	99.2	-1.8	80.0
II	117.9	2.3	103.9	-1.0	79.0
III <sup>p</sup>	118.6	2.6	98.7	0.4	79.4
2003					
1	108.2	3.2	96.9	-0.1	78.7
2	108.2	3.0	91.9	6.9	78.8
3	110.0	4.5	102.9	-1.2	78.0
4	109.8	4.2	103.0	-2.4	77.8
5	109.8	3.3	99.7	-5.9	75.8
6	109.5	2.9	99.9	3.8	78.3
7	109.5	2.8	94.0	-5.0	74.3
8	109.6	2.8	93.7	-4.3	77.3
9	109.6	2.7	97.3	1.6	79.1
10	110.7	3.0	109.2	3.0	81.2
11	111.4	3.4	103.0	-0.1	79.7
12	111.4	3.2	104.9	5.4	80.7
2004					
1	112.3	3.8	94.3	-2.7	80.4
2	112.9	4.3	100.7	9.6	83.0
3	113.8	3.5	108.0	5.0	80.6
4	114.7	4.5	105.4	2.3	80.5
5	115.6	5.3	104.9	5.2	80.9
6	115.7	5.7	104.5	4.6	79.8
7	115.6	5.6	100.0	6.4	79.1
8	115.6	5.5	96.5	3.0	78.8
9	115.6	5.5	98.5	1.2	79.8
10	116.1	4.9	106.6	-2.4	79.7
11	116.5	4.6	107.2	4.1	81.8
12	116.9	4.9	103.6	-1.2	79.7
2005					
1	117.0	4.2	102.6	8.8	81.9
2	117.1	3.7	86.7	-13.9	77.2
3	117.2	3.0	108.4	0.4	80.9
4	117.2	2.2	104.6	-0.8	78.8
5	118.3	2.3	103.8	-1.0	78.0
6	118.3	2.2	103.4	-1.1	80.1
7	118.4	2.4	101.7	1.7	80.5
8 <sup>p</sup>	118.5	2.5	96.1	-0.4	78.6
9 <sup>p</sup>	119.0	2.9	98.3	-0.2	79.0

p: preliminary  
Source: Korea National Statistical Office

## 4. Wholesale and retail trade

(Constant price, 2000=100)

Period	Wholesale and retail trade		Wholesale		Retail		Vehicles and fuel	
		Y-o-Y change (%)		Y-o-Y change (%)		Y-o-Y change (%)		Y-o-Y change (%)
2001	106.6	6.6	106.4	6.4	107.0	7.0	106.4	6.4
2002	115.4	8.3	113.6	6.8	115.8	8.2	121.7	14.4
2003	114.2	-1.0	113.8	0.2	113.5	-2.0	117.2	-3.7
2004	113.2	-0.9	114.0	0.2	111.9	-1.4	113.7	-3.0
2002								
I	111.7	10.2	110.6	7.5	113.6	11.5	112.2	19.5
II	115.4	8.6	113.9	7.6	115.3	9.5	122.0	10.4
III	113.6	7.4	110.6	5.2	113.4	7.8	126.2	14.2
IV	120.7	7.1	119.3	7.0	120.8	4.5	126.5	14.2
2003								
I	113.6	1.7	113.1	2.3	113.1	-0.4	116.9	4.2
II	113.7	-1.5	113.3	-0.5	111.4	-3.4	121.1	-0.7
III	111.0	-2.3	110.5	-0.1	111.0	-2.1	112.9	-10.5
IV	118.3	-2.0	118.3	-0.8	118.3	-2.1	117.8	-6.9
2004								
I	113.4	-0.2	115.7	2.3	111.2	-1.7	109.7	-6.2
II	113.0	-0.6	113.3	0.0	110.8	-0.5	117.2	-3.2
III	109.8	-1.1	109.9	-0.5	109.1	-1.7	111.3	-1.4
IV	116.7	-1.4	117.0	-1.1	116.4	-1.6	116.7	-0.9
2005								
I	112.3	-1.0	113.4	-2.0	112.5	1.2	106.9	-2.6
II	115.9	2.6	116.5	2.8	113.5	2.4	119.6	2.0
III <sup>p</sup>	113.7	3.6	114.3	4.0	111.7	2.4	116.0	4.2
2003								
1	119.1	6.6	117.0	5.1	122.3	8.3	120.4	9.3
2	105.4	0.5	105.7	3.2	102.8	-6.8	110.8	8.5
3	116.3	-1.9	116.7	-1.1	114.2	-2.8	119.6	-3.7
4	113.2	-2.5	112.2	-1.1	111.2	-4.5	122.7	-3.0
5	115.8	-1.7	114.1	-1.2	115.2	-2.7	124.5	-1.4
6	112.1	-0.2	113.7	0.8	107.8	-3.0	116.2	2.7
7	110.2	-1.5	109.4	1.3	109.7	-3.9	114.7	-6.4
8	109.0	-2.4	110.0	0.6	105.9	-0.8	112.2	-16.2
9	113.9	-2.7	112.2	-2.1	117.5	-1.3	111.9	-8.4
10	117.6	-1.4	117.6	0.9	115.9	-3.3	121.4	-6.3
11	116.1	-3.6	114.8	-3.4	118.6	-2.9	115.7	-5.2
12	121.1	-1.1	122.5	-0.1	120.5	0.2	116.4	-8.9
2004								
1	115.8	-2.8	116.1	-0.8	118.9	-2.8	106.8	-11.3
2	107.6	2.1	110.0	4.1	104.4	1.6	105.7	-4.6
3	116.9	0.5	120.9	3.6	110.2	-3.5	116.5	-2.6
4	112.9	-0.3	113.3	1.0	110.3	-0.8	118.0	-3.8
5	112.6	-2.8	111.8	-2.0	113.7	-1.3	113.3	-9.0
6	113.4	1.2	114.8	1.0	108.3	0.5	120.2	3.4
7	109.9	-0.3	109.6	0.2	110.3	0.5	110.2	-3.9
8	106.6	-2.2	108.9	-1.0	101.4	-4.2	110.0	-2.0
9	113.0	-0.8	111.2	-0.9	115.6	-1.6	113.8	1.7
10	114.7	-2.5	115.1	-2.1	114.3	-1.4	114.3	-5.8
11	114.5	-1.4	114.2	-0.5	115.3	-2.8	113.9	-1.6
12	121.0	-0.1	121.7	-0.7	119.5	-0.8	122.0	4.8
2005								
1	112.4	-2.9	113.6	-2.2	112.3	-5.6	107.5	0.7
2	105.9	-1.6	105.2	-4.4	110.9	6.2	96.1	-9.1
3	118.5	1.4	121.4	0.4	114.2	3.6	117.2	0.6
4	114.4	1.3	114.4	1.0	113.9	3.3	115.8	-1.9
5	116.8	3.7	116.8	4.5	116.3	2.3	117.9	4.1
6	116.6	2.8	118.3	3.0	110.3	1.8	125.0	4.0
7	113.1	2.9	112.0	2.2	112.4	1.9	119.4	8.3
8 <sup>p</sup>	112.0	5.1	114.0	4.7	105.3	3.8	120.1	9.2
9 <sup>p</sup>	116.0	2.7	116.8	5.0	117.5	1.6	108.6	-4.6

p: preliminary

Source: Korea National Statistical Office

## 5. Consumer goods shipment index and consumer sentiment index

See graph 2-6

Period	Domestic consumer goods shipment index (2000=100)						Consumer sentiment index	
	Domestic consumer goods shipment index (2000=100)	Y-o-Y change (%)	Durable goods	Y-o-Y change (%)	Non-durable goods	Y-o-Y change (%)	Expectations index	Present situation index
2001	102.8	2.8	103.0	3.0	102.7	2.7	-	-
2002	111.1	8.1	120.6	17.1	106.7	3.9	-	-
2003	104.5	-5.9	106.7	-11.5	103.4	-3.1	-	-
2004	102.0	-2.4	99.2	-7.0	103.2	-2.0	-	-
2002								
I	108.1	11.8	114.9	31.5	105.0	4.0	-	-
II	111.5	7.1	125.2	14.4	105.1	3.3	-	-
III	109.2	4.7	118.3	10.0	104.9	2.0	-	-
IV	115.6	9.0	123.8	15.1	111.8	6.1	-	-
2003								
I	105.1	-2.8	109.8	-4.4	102.8	-2.1	-	-
II	102.6	-8.0	109.5	-12.5	99.4	-5.4	-	-
III	101.6	-7.0	100.7	-14.9	102.0	-2.8	-	-
IV	108.5	-6.1	106.7	-13.8	109.4	-2.1	-	-
2004								
I	103.7	-1.3	103.2	-6.0	103.9	1.1	-	-
II	101.1	-1.5	100.8	-7.9	101.2	1.8	-	-
III	98.9	-2.7	93.0	-7.6	101.7	-0.3	-	-
IV	104.2	-4.0	99.9	-6.4	106.2	-2.9	-	-
2005								
I	98.5	-5.0	96.3	-6.7	99.5	-4.2	-	-
II	102.3	1.2	108.0	7.1	99.7	-1.5	-	-
III <sup>p</sup>	105.0	6.2	108.3	16.5	103.4	1.7	-	-
2003								
1	111.5	-0.4	111.2	0.9	111.5	-1.1	96.4	79.6
2	97.7	-3.0	106.6	-1.8	93.6	-3.5	96.1	73.5
3	106.0	-5.2	111.5	-11.4	103.4	-1.7	90.4	63.9
4	104.1	-6.8	112.2	-9.9	100.2	-5.2	94.5	64.7
5	103.5	-11.8	112.1	-16.8	99.5	-9.0	94.5	67.0
6	100.2	-4.9	104.2	-10.5	98.4	-1.8	91.7	62.7
7	101.2	-4.3	102.7	-12.3	100.5	-0.1	90.8	62.1
8	100.2	-9.9	94.6	-24.0	102.8	-2.1	92.0	63.9
9	103.4	-6.4	104.8	-7.6	102.7	-5.9	90.4	59.9
10	109.6	-6.4	109.4	-14.1	109.7	-2.3	91.5	62.7
11	104.1	-9.2	104.0	-16.5	104.1	-5.4	94.6	68.4
12	111.9	-2.7	106.7	-10.7	114.3	1.2	96.0	69.2
2004								
1	103.4	-7.3	97.3	-12.5	106.2	-4.8	98.0	72.6
2	99.7	2.0	104.6	-1.9	97.4	4.1	96.3	71.9
3	107.9	1.8	107.8	-3.3	108.0	4.4	94.4	68.5
4	104.3	0.2	105.2	-6.2	103.8	3.6	99.9	74.9
5	99.7	-3.7	98.8	-11.9	100.1	0.6	94.8	70.7
6	99.2	-1.0	98.3	-5.7	99.6	1.2	92.2	67.3
7	98.8	-2.4	95.5	-7.0	100.3	-0.2	89.6	66.2
8	97.5	-2.7	91.1	-3.7	100.6	-2.1	87.0	63.1
9	100.4	-2.9	92.4	-11.8	104.2	1.5	88.9	65.0
10	103.6	-5.5	100.8	-7.9	104.9	-4.4	88.0	65.1
11	103.8	-0.3	100.9	-3.0	105.1	1.0	86.6	62.8
12	105.2	-6.0	97.9	-8.2	108.6	-5.0	85.1	62.2
2005								
1	102.8	-0.6	95.6	-1.7	106.1	-0.1	90.3	66.5
2	88.5	-11.2	86.8	-17.0	89.3	-8.3	99.4	83.2
3	104.2	-3.4	106.6	-1.1	103.1	-4.5	102.2	89.6
4	100.5	-3.6	103.7	-1.4	99.0	-4.6	101.3	90.2
5	102.3	2.6	108.2	9.5	99.6	-0.5	99.2	85.5
6	104.2	5.0	112.2	14.1	100.4	0.8	95.4	79.7
7	104.8	6.1	114.7	20.1	100.1	-0.2	95.2	78.9
8	104.2 <sup>p</sup>	6.9 <sup>p</sup>	104.0 <sup>p</sup>	14.2 <sup>p</sup>	104.3 <sup>p</sup>	3.7 <sup>p</sup>	94.8	78.3
9	105.9 <sup>p</sup>	5.5 <sup>p</sup>	106.1 <sup>p</sup>	14.8 <sup>p</sup>	105.8 <sup>p</sup>	1.5 <sup>p</sup>	96.7	81.2
10	-	-	-	-	-	-	97.5	83.4

p: preliminary

Source: Korea National Statistical Office

## 6. Machinery orders received, domestic machinery shipment and estimated facility investment index

See graph 3-2

Period	Domestic machinery orders received excluding ship (billion won)				Estimated facility investment index (2000=100)	Domestic machinery shipment excluding ship (2000=100)
	Total	Public	Private	Manufacturing		
2003	22,385	2,178	20,206	8,629	96.2	102.2
2004	23,913	2,563	21,350	10,579	97.5	101.2
2004						
I	6,664	644	6,020	2,935	96.3	97.5
II	6,847	800	6,046	2,995	102.7	106.0
III	5,086	417	4,669	2,269	94.0	96.2
IV	5,316	701	4,615	2,399	96.7	104.9
2005						
I	6,211	694	5,517	2,708	100.2	97.1
II	6,010	390	5,620	2,904	104.1	104.5
III <sup>p</sup>	5,777	580	5,198	2,399	94.5	98.3
2004						
1	2,054	183	1,871	930	82.4	84.3
2	2,080	133	1,947	923	98.1	96.9
3	2,530	327	2,203	1,082	108.5	111.4
4	2,291	151	2,141	1,150	100.4	103.8
5	2,311	213	2,097	982	98.9	103.6
6	2,245	437	1,808	863	108.9	110.6
7	1,536	80	1,455	689	94.5	97.3
8	1,663	102	1,561	741	93.8	95.3
9	1,887	235	1,652	838	93.7	96.1
10	1,915	155	1,760	968	96.5	101.1
11	1,727	204	1,523	775	93.0	99.1
12	1,674	341	1,333	656	100.7	114.4
2005						
1	2,070	97	1,973	1,007	95.6	92.1
2	1,691	73	1,618	760	94.7	86.5
3	2,449	523	1,926	940	110.2	112.6
4	2,062	136	1,926	1,007	100.2	103.6
5	1,977	112	1,865	995	106.5	103.4
6	1,971	143	1,828	902	105.5	106.6
7	1,926	224	1,702	800	98.5	101.9
8 <sup>p</sup>	1,769	221	1,748	785	93.1	96.3
9 <sup>p</sup>	1,882	134	1,748	814	91.8	96.7
<b>Y-o-Y change (%)</b>						
2003	-8.7	-32.5	-5.1	8.8	-2.3	-1.1
2004	6.8	17.6	5.7	22.8	1.4	-1.3
2004						
I	19.6	72.3	15.8	36.5	-2.0	-3.3
II	19.2	81.3	14.0	23.7	3.2	-1.5
III	-6.6	-41.4	-1.4	15.9	3.8	0.4
IV	-5.4	7.6	-7.1	14.2	0.1	-0.9
2005						
I	-6.8	7.8	-8.4	-7.7	4.0	-0.4
II	-12.2	-51.3	-7.1	-3.0	1.4	-1.4
III <sup>p</sup>	13.6	38.9	11.3	5.8	0.5	2.2
2004						
1	13.1	64.3	9.8	37.3	0.0	-9.9
2	13.6	12.1	13.7	26.3	2.6	0.3
3	31.5	128.7	23.7	45.8	-7.1	-0.6
4	19.0	48.3	17.3	38.4	-1.5	-2.9
5	19.6	80.5	15.6	19.4	3.7	-3.9
6	18.9	96.9	8.6	12.5	7.5	2.3
7	-5.6	-3.6	-5.8	5.1	4.0	4.2
8	-5.5	-29.4	-3.4	8.6	6.0	2.0
9	-8.4	-51.4	4.8	35.4	1.5	-4.4
10	-7.1	-55.2	2.7	29.9	-0.5	1.3
11	1.6	122.0	-5.3	10.7	3.0	-3.1
12	-9.9	60.7	-19.0	0.0	-1.8	-1.1
2005						
1	0.8	-46.9	5.5	8.3	16.0	9.3
2	-18.7	-45.0	-16.9	-17.6	-3.5	-10.7
3	-3.2	59.9	-12.6	-13.1	1.6	1.1
4	-10.0	-9.6	-10.0	-12.4	-0.2	-0.2
5	-14.4	-47.7	-11.1	1.3	7.7	-0.2
6	-12.2	-67.4	1.1	4.5	-3.1	-3.6
7	25.4	179.8	16.9	16.1	4.2	4.7
8 <sup>p</sup>	18.4	116.5	12.0	5.9	-0.7	1.0
9 <sup>p</sup>	-0.3	-43.0	5.8	-2.8	-2.0	0.6

p: preliminary

Source: Korea National Statistical Office

## 7. Value of construction completed and domestic construction orders received

See graph 4-2

(Billion won)

Period	Value of construction completed (total)	Type of order		Domestic construction orders received (total)	Type of order		
		Public	Private		Public	Private	
2003	65,553	22,789	40,646	80,897	19,571	58,271	
2004	72,766	23,988	46,485	76,588	22,124	50,409	
2004							
I	15,537	4,914	10,182	14,509	3,654	10,538	
II	18,413	6,055	11,785	17,984	3,446	13,579	
III	18,227	6,101	11,555	14,581	3,591	10,136	
IV	20,588	6,918	12,964	29,514	11,434	16,156	
2005							
I	15,971	4,874	10,628	18,110	4,488	12,791	
II	20,315	6,266	13,421	25,262	6,042	18,066	
III <sup>p</sup>	19,061	5,731	12,657	17,010	3,587	13,249	
2004							
1	4,853	1,546	3,163	4,588	1,321	3,175	
2	4,767	1,470	3,180	4,635	1,458	3,167	
3	5,917	1,898	3,839	5,285	875	4,196	
4	5,963	1,985	3,798	5,074	1,276	3,533	
5	5,975	1,920	3,866	5,647	558	4,749	
6	6,476	2,151	4,121	7,263	1,612	5,297	
7	5,846	1,842	3,816	6,161	1,299	4,300	
8	6,003	1,989	3,831	4,315	911	3,346	
9	6,379	2,269	3,908	4,106	1,380	2,490	
10	6,315	1,946	4,151	8,202	3,106	4,749	
11	6,484	2,164	4,095	6,150	2,246	3,810	
12	7,789	2,808	4,718	15,162	6,082	7,597	
2005							
1	5,088	1,540	3,388	5,272	1,435	3,388	
2	4,655	1,457	3,088	3,709	627	3,038	
3	6,227	1,877	4,152	9,128	2,425	6,364	
4	6,452	1,966	4,290	6,550	1,972	4,460	
5	6,636	2,007	4,434	8,690	1,946	6,489	
6	7,227	2,293	4,698	10,022	2,124	7,117	
7	6,140	1,818	4,111	6,631	1,161	5,368	
8 <sup>p</sup>	6,303	1,803	4,271	5,103	1,071	4,022	
9 <sup>p</sup>	6,619	2,109	4,275	5,275	1,355	3,859	
<b>Y-o-Y change (%)</b>							
2003	16.6	10.7	20.6	19.3	0.9	27.6	
2004	11.0	5.3	14.4	-5.3	13.0	-13.5	
2004							
I	14.7	13.4	16.5	-9.2	29.6	-17.5	
II	12.3	9.3	14.1	-23.8	-29.3	-22.2	
III	14.8	8.7	18.3	-20.8	-7.8	-28.7	
IV	4.4	-5.3	9.8	28.8	43.2	16.9	
2005							
I	2.8	-0.8	4.4	24.8	22.8	21.4	
II	10.3	3.5	13.9	40.5	75.4	33.0	
III <sup>p</sup>	4.6	-6.1	9.5	16.7	-0.1	30.7	
2004							
1	13.1	5.3	18.2	-6.1	55.7	-21.1	
2	12.0	17.0	11.8	-20.2	30.7	-27.7	
3	18.3	18.1	19.2	0.0	2.3	-3.9	
4	17.6	15.5	19.2	-8.4	7.1	-17.5	
5	11.8	7.5	14.1	-18.6	-67.0	-8.8	
6	8.2	5.7	9.7	-34.7	-19.0	-33.6	
7	11.7	1.4	17.2	0.0	28.7	-15.2	
8	12.9	9.6	15.0	-36.4	-24.0	-39.3	
9	19.7	14.4	22.9	-24.7	-18.2	-31.4	
10	9.0	-3.6	16.6	33.1	47.3	21.7	
11	5.8	0.5	8.3	4.3	34.3	-4.7	
12	-0.2	-10.3	5.7	39.7	44.6	28.3	
2005							
1	4.9	-0.4	7.1	14.9	8.6	6.7	
2	-2.4	-0.9	-2.9	-20.0	-57.0	-4.1	
3	5.3	-1.1	8.1	72.7	177.1	51.7	
4	8.2	-0.9	12.9	29.1	54.6	26.2	
5	11.1	4.5	14.7	53.9	248.8	36.6	
6	11.6	6.6	14.0	38.0	31.8	34.4	
7	5.0	-1.3	7.8	7.6	-10.6	24.8	
8 <sup>p</sup>	5.0	-9.4	11.5	18.3	17.5	20.2	
9 <sup>p</sup>	3.8	-7.0	9.4	28.5	-1.9	55.0	

p: preliminary

Source: Korea National Statistical Office

## 8. Composite indexes of business cycle indicators and BSI

Period	Leading index (2000=100)	Y-o-Y change (%)	Coincident index (2000=100)	Cycle of coincident index (2000=100)	BSI (actual)	BSI (outlook)
2001						
1	95.7	-4.9	101.4	101.8	66.3	114.5
2	96.2	-4.5	101.6	101.4	81.5	110.2
3	96.8	-4.0	101.9	101.3	98.7	131.0
4	96.7	-4.1	101.9	100.7	100.4	127.9
5	97.1	-3.4	102.2	100.5	105.4	123.3
6	97.6	-2.4	102.5	100.3	101.8	103.8
7	97.8	-1.7	102.7	99.9	88.9	91.4
8	97.8	-1.3	103.3	99.9	79.0	91.1
9	98.1	-0.6	104.2	100.3	87.0	104.7
10	98.9	0.5	105.4	100.9	85.9	91.8
11	100.1	2.1	105.9	100.8	95.9	81.0
12	101.1	3.3	105.8	100.1	103.0	68.0
2002						
1	103.0	5.4	106.8	100.6	105.6	105.1
2	105.1	7.8	107.8	101.0	109.7	110.7
3	107.7	10.7	109.4	101.9	138.9	141.9
4	109.2	12.4	109.9	101.8	129.8	140.8
5	109.4	12.4	110.1	101.5	125.9	143.0
6	108.5	11.0	110.3	101.1	108.4	121.8
7	108.1	9.8	110.9	101.1	97.3	114.6
8	107.7	8.6	111.8	101.4	100.2	100.4
9	108.3	8.2	112.7	101.7	106.2	118.5
10	108.3	7.1	113.1	101.5	102.7	115.1
11	109.0	6.6	113.6	101.4	99.6	98.6
12	109.2	6.0	114.5	101.6	91.9	95.6
2003						
1	109.1	5.0	115.3	101.8	90.2	91.9
2	108.2	3.3	115.2	101.1	79.8	89.3
3	107.0	1.3	115.1	100.6	89.3	109.0
4	106.3	-0.1	114.7	99.6	87.7	90.2
5	106.0	-1.1	114.6	99.0	84.7	108.1
6	107.3	-0.5	115.0	98.8	81.5	96.4
7	108.1	-0.2	115.2	98.5	79.1	90.3
8	109.1	0.5	116.2	98.8	85.1	91.4
9	109.0	0.5	116.9	98.8	89.4	109.6
10	110.0	1.6	118.6	99.7	103.4	110.3
11	110.5	2.4	119.5	99.9	98.9	102.8
12	111.2	3.1	120.8	100.5	100.4	98.7
2004						
1	111.3	3.2	121.9	100.8	90.7	99.8
2	111.8	3.5	123.4	101.6	95.3	104.9
3	112.0	3.6	124.1	101.6	104.2	113.6
4	111.9	3.4	124.4	101.2	101.7	104.3
5	111.8	3.2	124.1	100.5	90.2	113.2
6	111.6	2.9	124.0	99.9	86.8	92.1
7	111.6	2.7	123.7	99.1	83.8	86.4
8	111.8	2.6	123.4	98.3	81.2	86.4
9	112.0	2.3	123.7	98.0	93.4	95.5
10	112.0	1.9	124.0	97.8	92.2	99.2
11	111.8	1.2	124.8	97.8	82.2	90.3
12	111.7	0.8	125.1	97.5	80.9	82.2
2005						
1	112.3	1.0	126.1	97.8	84.6	77.8
2	112.8	1.3	125.9	97.1	87.2	85.7
3	113.3	1.5	126.7	97.2	110.7	119.2
4	113.0	1.1	126.3	96.4	107.0	117.6
5	113.3	1.3	127.2	96.6	98.2	114.1
6	113.7	1.6	127.6	96.3	93.4	105.1
7	114.3 <sup>p</sup>	2.0 <sup>p</sup>	128.4	96.4	91.7	96.5
8	115.0 <sup>p</sup>	2.7 <sup>p</sup>	129.1 <sup>p</sup>	96.4 <sup>p</sup>	91.0	91.7
9	115.5 <sup>p</sup>	3.0 <sup>p</sup>	129.2 <sup>p</sup>	95.9 <sup>p</sup>	99.2	111.4
10	-	-	-	-	98.0	110.2
11	-	-	-	-	-	107.8

p: preliminary

Source: Korea National Statistical Office, The Federation of Korean Industries

## 9. Balance of payments (I)

See graphs 5-1, 5-2 &amp; 10-1

(Million US\$)

Period	Current balance	Goods trade balance	Goods trade balance		Services trade balance	Income trade balance	Current transfers
			Exports	Imports			
2001	8,032.6	13,488.0	150,439.1	137,990.3	-3,872.1	-1,198.1	-385.2
2002	5,393.9	14,777.4	162,470.5	148,636.6	-8,197.5	432.3	-1,618.3
2003	11,949.5	21,952.0	193,817.4	175,475.9	-7,424.2	326.3	-2,904.6
2004 <sup>p</sup>	27,612.8	38,160.7	253,884.7	175,475.9	-8,768.8	724.9	-2,504.0
2003							
I	-1,556.4	1,199.3	43,035.9	44,223.5	-2,178.9	154.7	-731.5
II	2,572.9	5,685.6	46,053.0	41,710.5	-1,486.3	-1,029.7	-596.7
III	3,669.7	6,793.0	47,828.1	42,970.8	-2,633.0	438.7	-929.0
IV	7,263.3	8,274.1	56,900.4	49,921.9	-1,126.0	762.6	-647.4
2004 <sup>p</sup>							
I	6,130.5	8,639.6	59,298.9	52,797.5	-1,915.1	207.5	-801.5
II	7,030.4	10,452.3	63,974.7	55,269.7	-1,543.3	-1,178.5	-700.1
III	7,098.4	9,866.6	61,633.9	54,707.8	-2,903.3	526.7	-391.6
IV	7,353.5	9,202.2	68,937.1	61,687.7	-2,407.1	1,169.2	-610.8
2005 <sup>p</sup>							
I	5,950.1	9,290.8	66,814.2	60,545.2	-3,052.5	236.3	-524.5
II	2,756.8	8,648.2	69,718.4	63,611.8	-3,079.7	-2,095.5	-716.2
III	2,523.7	7,553.3	71,152.2	65,998.7	-4,458.6	35.8	-606.8
2003							
1	-467.8	760.1	14,319.9	14,495.0	-1,185.3	270.8	-313.4
2	32.2	473.0	13,337.1	13,858.3	-687.8	448.3	-201.3
3	-1,120.8	-33.8	15,378.9	15,870.2	-305.8	-564.4	-216.8
4	-209.4	1,346.4	15,720.6	14,758.7	-269.3	-1,190.6	-95.9
5	1,184.1	1,626.6	14,676.1	13,523.6	-456.9	219.3	-204.9
6	1,598.2	2,712.6	15,656.3	13,428.1	-760.1	-58.4	-295.9
7	345.7	1,447.3	15,431.7	14,898.0	-1,010.1	186.0	-277.5
8	1,231.6	2,285.0	15,375.3	13,541.4	-967.4	202.6	-288.6
9	2,092.4	3,060.7	17,021.1	14,531.4	-655.5	50.1	-362.9
10	2,518.9	2,985.0	18,929.7	16,536.6	-246.8	15.7	-235.0
11	2,858.3	2,846.3	18,242.1	15,760.8	-248.3	441.8	-181.5
12	1,886.1	2,442.8	19,728.7	17,624.5	-630.9	305.1	-230.9
2004 <sup>p</sup>							
1	2,338.4	2,985.0	18,987.1	16,208.9	-774.9	345.7	-217.4
2	2,881.4	2,985.1	19,137.0	17,468.6	-449.7	587.8	-241.8
3	910.7	2,669.5	21,174.9	19,120.1	-690.5	-726.0	-342.3
4	1,142.5	3,256.4	21,483.4	18,830.0	-392.7	-1,448.3	-272.9
5	3,708.4	3,793.3	20,834.3	17,895.4	-228.2	294.2	-150.9
6	2,179.5	3,402.6	21,657.1	18,544.4	-922.4	-24.4	-276.3
7	3,246.6	4,293.9	21,003.8	18,390.1	-893.6	8.6	-162.3
8	1,039.0	1,840.1	19,799.0	18,124.4	-1,094.3	285.0	8.2
9	2,812.8	3,732.6	20,831.1	18,193.3	-915.4	233.1	-237.5
10	2,418.6	2,839.6	22,663.3	20,408.2	-536.4	151.7	-36.3
11	2,939.7	3,536.9	23,076.6	20,312.0	-676.4	317.6	-238.4
12	1,995.2	2,825.7	23,197.2	20,967.5	-1,194.3	699.9	-336.1
2005 <sup>p</sup>							
1	3,866.2	4,493.9	22,455.6	19,420.2	-874.7	496.5	-249.5
2	969.3	1,686.7	20,403.3	18,371.3	-1,048.3	463.4	-132.5
3	1,114.6	3,110.2	23,955.4	22,753.6	-1,129.5	-723.6	-142.5
4	-975.7	2,333.4	22,874.7	21,221.1	-912.5	-2,136.2	-260.4
5	1,437.5	2,612.5	23,125.7	21,134.3	-1,097.2	160.0	-237.8
6	2,295.0	3,702.3	23,718.0	21,256.4	-1,070.0	-119.3	-218.0
7	1,382.2	3,131.2	23,244.5	21,462.8	-1,495.2	-62.7	-191.1
8	-500.7	1,607.9	23,347.7	21,901.3	-1,856.3	-44.0	-208.3
9	1,642.2	2,814.2	24,560.0	22,634.5	-1,107.1	142.5	-207.4

p: preliminary  
Source: The Bank of Korea

## 10. Balance of payments (II)

See graph 10-3

(Million US\$)

Period	Capital & financial account	Financial account				Other capital account	Changes in reserve assets	Errors and omissions
		Financial account	Direct investment	Portfolio investment	Other investment			
2001	-3,390.8	-2,659.8	1,107.6	6,583.4	-10,350.8	-731.0	-7,575.8	2,934.0
2002	6,251.5	7,338.3	-224.2	708.7	6,853.8	-1,086.8	-11,799.4	154.0
2003	13,909.4	15,307.8	100.0	17,906.5	-2,698.7	-1,398.4	-25,849.5	-9.5
2004 <sup>p</sup>	8,319.1	10,091.7	3,396.6	9,268.8	-2,573.7	-1,772.6	-38,710.5	2,778.6
2003								
I	1,367.9	1,678.7	-417.8	-1,054.2	3,150.7	-310.8	-926.3	1,114.7
II	2,705.2	3,091.8	-141.9	3,642.5	-408.8	-386.6	-5,720.0	441.9
III	3,639.5	4,022.5	-404.5	7,731.2	-3,304.2	-383.0	-8,516.7	1,207.5
IV	6,196.8	6,514.8	1,064.2	7,587.0	-2,136.4	-318.0	-10,686.5	-2,773.6
2004 <sup>p</sup>								
I	3,457.8	3,855.2	-837.1	10,739.7	-6,047.4	-397.4	-8,746.9	-841.4
II	-2,681.2	-2,211.1	3,080.3	-424.7	-4,866.7	-470.1	-4,005.5	-343.7
III	-1,856.3	-1,470.9	-278.3	1,594.0	-2,786.6	-385.4	-6,805.7	1,563.6
IV	9,398.8	9,918.5	1,431.7	-2,640.2	11,127.0	-519.7	-19,152.4	2,400.1
2005 <sup>p</sup>								
I	3,208.1	3,715.7	-680.8	-1,329.3	5,725.8	-507.6	-9,513.8	355.6
II	1,480.4	2,146.6	1,184.3	-2,379.4	3,341.7	-666.2	-2,817.4	-1,419.8
III	-906.7	-257.2	-405.8	184.4	-35.8	-649.5	-2,300.3	683.3
2003								
1	594.4	692.9	132.1	816.0	-255.2	-98.5	-206.7	80.1
2	452.5	548.8	-334.6	1,508.0	2,391.4	-96.3	-985.9	501.2
3	321.0	437.0	-215.3	-362.2	1,014.5	-116.0	226.4	533.4
4	-1,032.7	-895.7	-63.5	-1,684.3	852.1	-137.0	1,139.4	102.7
5	1,269.3	1,383.6	-79.1	937.0	525.7	-114.3	-2,668.7	215.3
6	2,468.6	2,603.9	0.7	4,389.8	-1,786.6	-135.3	-4,190.7	123.9
7	-878.3	-736.6	-198.4	2,474.5	-3,012.7	-141.7	-1,333.4	1,866.0
8	3,956.8	4,079.3	156.8	2,353.4	1,569.1	-122.5	-4,054.5	-1,133.9
9	561.0	679.8	-362.9	2,903.3	-1,860.6	-118.8	-3,128.8	475.4
10	533.9	637.6	1,081.8	4,120.8	-4,565.0	-103.7	-1,269.9	-1,782.9
11	4,383.6	4,480.1	134.0	2,819.4	1,526.7	-96.5	-6,372.4	-869.5
12	1,279.3	1,397.1	-151.6	646.8	901.9	-117.3	-3,044.2	-121.2
2004 <sup>p</sup>								
1	391.3	488.3	-255.3	4,129.4	-3,385.8	-97.0	-2,156.8	-572.9
2	2,473.4	2,579.5	-301.0	3,260.1	-379.6	-106.1	-5,748.6	393.8
3	593.1	787.4	-280.8	3,350.2	-2,282.0	-194.3	-841.5	-662.3
4	979.4	1,138.1	634.8	2,667.2	2,163.9	-158.7	-1,348.0	-773.9
5	-1,671.7	-1,537.8	2,359.0	-3,470.1	-426.7	-133.9	-1,982.2	-54.5
6	-1,988.9	-1,811.4	86.5	378.2	-2,276.1	-177.5	-675.3	484.7
7	-1,681.7	-1,541.1	-583.5	1,617.4	-2,575.0	-140.6	-1,540.7	-24.2
8	810.9	944.5	25.2	430.1	489.2	-133.6	-2,177.6	327.7
9	-985.5	-874.3	280.0	-453.5	-700.8	-111.2	-3,087.4	1,260.1
10	-660.9	-475.0	118.9	-2,414.5	1,820.6	-185.9	-2,036.8	279.1
11	8,214.9	8,373.1	663.5	745.0	6,964.6	-158.2	-11,927.0	772.4
12	1,844.8	2,020.4	649.3	-970.7	2,341.8	-175.6	-5,188.6	1,348.6
2005 <sup>p</sup>								
1	-822.5	-636.0	-23.1	-1,548.8	935.9	-186.5	-2,874.3	-169.4
2	487.5	631.0	-475.2	1,704.4	-598.2	-143.5	-1,848.5	391.7
3	3,543.1	3,720.7	-182.5	-1,484.9	5,388.1	-177.6	-4,791.0	133.3
4	1,959.8	2,196.7	1,390.3	-1,035.0	1,841.4	-236.9	-625.4	-358.7
5	797.9	1,039.9	-266.9	-574.7	1,881.5	-242.0	-1,636.9	-598.5
6	-1,277.3	-1,090.0	60.9	-769.7	-381.2	-187.3	-555.1	-462.6
7	-773.6	-565.6	-502.0	2,766.2	-2,829.8	-208.0	-873.3	264.7
8	509.4	723.7	325.0	-977.1	1,375.8	-214.3	-450.4	441.7
9	-642.5	-415.3	-228.8	-1,604.7	1,418.2	-227.2	-976.6	-23.1

p: preliminary

Source: The Bank of Korea, Korea Customs Service

## 11. Prices

See graphs 11-1, 11-2 &amp; 11-3

[2000 = 100]

Period	Consumer prices				Producer prices		Export & import prices	
	All Items	Commodity	Service	Core	All items	Commodity	Export	Import
2002	106.9	106.4	107.5	106.7	99.2	97.7	89.5	97.1
2003	110.7	109.8	111.4	110.0	101.4	99.7	87.5	98.9
2004	114.7	114.5	114.8	113.2	107.6	107.2	92.9	108.9
2004 1	112.7	112.3	112.9	111.4	104.3	102.8	91.8	105.3
2	113.2	113.1	113.2	111.5	105.6	104.6	91.2	105.1
3	114.3	114.2	114.5	112.7	106.6	106.0	91.2	106.6
4	114.3	114.0	114.5	112.8	107.1	106.7	91.0	106.6
5	114.2	113.7	114.6	113.0	107.4	107.1	93.9	110.5
6	114.2	113.6	114.7	113.2	107.3	107.0	92.4	108.6
7	114.9	114.3	115.3	113.5	107.7	107.3	93.7	110.4
8	115.9	116.5	115.4	113.8	108.7	108.6	95.9	113.4
9	115.9	116.5	115.4	114.0	109.1	109.3	95.9	111.8
10	115.9	116.3	115.6	114.1	109.2	109.3	97.4	115.0
11	115.2	114.6	115.8	113.9	109.2	109.3	92.9	109.4
12	115.4	114.5	116.1	114.2	108.4	108.2	87.7	104.1
2005 1	116.2	115.9	116.4	114.9	108.6	108.2	68.9	104.4
2	116.9	117.3	116.5	115.1	109.0	108.8	86.8	104.8
3	117.8	118.0	117.5	115.8	109.5	109.5	87.1	108.2
4	117.9	118.6	117.3	115.8	110.2	110.5	87.0	110.5
5	117.7	118.0	117.4	115.8	109.6	109.7	84.2	107.5
6	117.3	117.0	117.4	115.8	109.0	108.7	85.1	110.6
7	117.8	117.9	117.7	115.9	109.9	109.8	87.5	114.3
8	118.2	118.6	117.8	116.0	110.2	110.3	87.0	116.5
9	119.0	120.4	117.9	116.2	110.8	111.0	88.8	118.8
10	118.8	119.8	117.9	116.2	111.0	111.2	89.1	118.6
<b>Y-o-Y change (%)</b>								
2002	2.7	2.8	2.8	3.0	-0.3	-1.2	-7.0	-6.2
2003	3.6	3.2	3.6	3.1	2.2	2.0	-2.2	1.8
2004	3.6	4.3	3.1	2.9	6.1	7.5	6.2	10.2
2004 1	3.4	3.2	3.4	2.8	3.8	4.0	5.7	7.4
2	3.3	2.9	3.6	2.7	4.5	5.1	2.4	3.7
3	3.1	3.0	3.2	2.7	4.4	5.1	-0.2	3.3
4	3.3	3.8	2.8	2.7	5.5	6.6	3.0	8.2
5	3.3	4.1	2.7	2.7	6.3	7.9	8.9	14.6
6	3.6	4.9	2.7	2.7	6.8	8.6	7.3	12.4
7	4.4	5.8	3.0	3.1	7.0	8.7	9.2	14.3
8	4.8	6.9	3.0	3.2	7.5	9.5	11.2	16.7
9	3.9	5.0	2.9	3.2	7.5	9.6	12.6	17.0
10	3.8	4.6	3.1	3.4	7.3	9.3	13.0	16.8
11	3.3	3.7	3.1	3.1	6.8	8.8	5.1	8.2
12	3.0	2.9	3.1	2.9	5.3	6.9	-2.8	0.7
2005 1	3.1	3.2	3.1	3.1	4.1	5.3	-5.4	-0.8
2	3.3	3.7	2.9	3.2	3.2	4.0	-4.9	-0.3
3	3.1	3.3	2.6	2.8	2.7	3.3	-4.5	1.4
4	3.1	4.0	2.4	2.7	2.9	3.6	-4.4	3.6
5	3.1	3.8	2.4	2.5	2.0	2.4	-10.3	-2.7
6	2.7	3.0	2.4	2.3	1.6	1.6	-7.9	1.8
7	2.5	3.1	2.1	2.1	2.0	2.3	-6.6	3.6
8	2.0	1.8	2.1	1.9	1.4	1.6	-9.3	2.7
9	2.7	3.3	2.2	1.9	1.6	1.6	-7.4	6.3
10	2.5	3.0	2.0	1.8	1.6	1.7	-8.5	3.1

Source: Korea National Statistical Office, The Bank of Korea

## 12. Employment and earnings

See graphs 8-1, 8-2 &amp; 8-3

Period	Economically active persons (thous.)	Employed persons (thous.)			Unemployment (%)	All industry earnings (won) (base year = 2000)	Manufacturing
		All industry	Manufacturing	S.O.C & service			
2001	22,471	21,572	4,267	15,139	4.0	1,824,826	1,702,350
2002	22,921	22,169	4,241	15,841	3.3	2,036,207	1,907,117
2003	22,957	22,139	4,205	15,967	3.6	2,228,491	2,073,992
2004	23,417	22,557	4,290	16,427	3.7	2,372,612	2,279,724
2004							
1	22,844	21,936	4,254	16,173	4.0	2,507,996	2,372,647
2	22,959	22,006	4,272	16,158	4.2	2,196,532	2,106,600
3	23,303	22,371	4,309	16,263	4.0	2,177,895	2,027,800
4	23,535	22,673	4,323	16,401	3.7	2,214,623	2,096,647
5	23,571	22,738	4,286	16,455	3.5	2,073,898	1,903,048
6	23,621	22,822	4,316	16,503	3.4	2,365,186	2,246,496
7	23,616	22,750	4,311	16,502	3.7	2,362,503	2,304,100
8	23,229	22,382	4,226	16,209	3.6	2,342,387	2,194,540
9	23,601	22,809	4,297	16,556	3.4	2,625,841	2,514,334
10	23,711	22,901	4,323	16,573	3.4	2,257,751	2,155,096
11	23,621	22,802	4,304	16,655	3.5	2,142,152	1,965,456
12	23,394	22,495	4,261	16,670	3.8	3,215,092	3,481,702
2005							
1	23,058	22,078	4,252	16,403	4.2	2,381,738	2,259,398
2	23,074	22,086	4,255	16,352	4.3	2,656,764	2,694,615
3	23,531	22,576	4,274	16,575	4.1	2,352,840	2,197,945
4	23,839	22,934	4,271	16,707	3.8	2,378,458	2,329,572
5	24,051	23,199	4,249	16,868	3.5	2,184,497	2,037,326
6	24,123	23,246	4,251	16,921	3.6	2,580,189	2,494,606
7	24,072	23,184	4,233	16,931	3.7	2,496,925	2,450,956
8	23,689	22,847	4,167	16,713	3.6	-	-
9	23,918	23,048	4,201	16,892	3.6	-	-
10	24,056	23,186	4,241	16,966	3.6	-	-
Y-o-Y change (%)							
2001	1.5	2.0	-0.6	3.7	-	5.6	6.3
2002	2.0	2.8	-0.6	4.6	-	11.6	12.0
2003	0.2	-0.1	-0.9	0.8	-	9.4	8.8
2004	2.0	1.9	2.0	2.9	-	6.5	9.9
2004							
1	2.0	1.7	2.7	2.3	-	-0.1	-0.6
2	2.7	2.4	2.9	3.0	-	7.0	12.2
3	2.7	2.4	2.4	3.2	-	6.3	9.6
4	2.6	2.3	2.0	3.6	-	4.9	8.5
5	1.8	1.6	0.8	3.2	-	7.2	9.3
6	1.9	2.0	2.2	3.2	-	4.0	7.4
7	1.4	1.3	2.2	2.4	-	9.5	14.6
8	1.3	1.2	2.7	1.8	-	4.2	3.8
9	2.3	2.3	3.2	3.3	-	10.0	14.4
10	2.0	2.0	2.0	3.0	-	6.2	6.8
11	1.6	1.7	1.4	2.8	-	6.2	8.0
12	1.9	1.8	0.1	2.6	-	12.0	22.7
2005							
1	0.9	0.6	-0.1	1.4	-	-5.0	-4.8
2	0.5	0.4	-0.4	1.2	-	21.0	27.9
3	1.0	0.9	-0.8	1.9	-	8.0	8.4
4	1.3	1.2	-1.2	1.9	-	7.4	11.1
5	2.0	2.0	-0.9	2.5	-	5.3	7.1
6	2.1	1.9	-1.5	2.5	-	9.1	11.0
7	1.9	1.9	-1.8	2.6	-	5.7	6.4
8	2.0	2.1	-1.4	3.1	-	-	-
9	1.3	1.0	-2.2	2.0	-	-	-
10	1.5	1.2	-1.9	2.4	-	-	-

Source: Korea National Statistical Office

## 13. Financial indicators

See graphs 9-1 &amp; 9-4

(Period average)

Period	Yields (%)				Stock	
	Call rate (1 day)	CD (91 days)	Corporate bonds (3 years, AA-)	Treasury bonds (3 years)	KOSPI (end-period)	
2001	1	5.3	6.4	7.8	6.0	617.91
	2	5.1	5.7	6.8	5.4	578.10
	3	5.0	5.7	7.2	5.8	523.22
	4	5.0	5.8	7.9	6.6	577.36
	5	5.0	5.9	7.7	6.5	612.16
	6	5.0	5.7	7.2	6.0	595.10
	7	4.8	5.3	7.0	5.8	541.60
	8	4.6	4.9	6.5	5.2	545.10
	9	4.3	4.7	6.3	4.9	479.70
	10	4.0	4.4	6.3	4.7	537.80
	11	4.0	4.5	6.8	5.3	643.90
	12	4.0	4.8	7.1	5.9	693.70
2002	1	4.0	4.8	7.1	6.1	748.10
	2	4.0	4.5	6.9	5.9	820.00
	3	4.0	4.6	7.1	6.3	895.60
	4	4.0	4.8	7.2	6.5	842.30
	5	4.2	4.8	7.1	6.3	796.40
	6	4.3	4.9	6.8	5.9	742.70
	7	4.3	4.9	6.6	5.7	718.00
	8	4.3	4.8	6.2	5.4	736.40
	9	4.3	4.8	6.1	5.4	646.40
	10	4.3	4.9	6.0	5.4	658.90
	11	4.3	4.9	5.9	5.3	724.80
	12	4.3	4.9	5.9	5.1	627.60
2003	1	4.3	4.7	5.5	5.0	591.90
	2	4.3	4.5	5.3	4.7	575.40
	3	4.3	4.8	5.4	4.8	535.70
	4	4.2	4.6	5.4	4.6	599.40
	5	4.1	4.4	5.3	4.3	633.40
	6	4.0	4.3	5.3	4.1	669.90
	7	3.8	4.2	5.7	4.4	713.50
	8	3.7	3.9	5.9	4.6	759.50
	9	3.7	3.8	5.2	4.1	697.50
	10	3.7	3.9	5.2	4.3	782.40
	11	3.8	4.2	5.5	4.8	796.20
	12	3.8	4.3	5.6	4.8	810.70
2004	1	3.8	4.3	5.7	4.9	848.50
	2	3.8	4.1	5.6	4.8	883.40
	3	3.8	3.9	5.4	4.6	880.50
	4	3.8	3.9	5.3	4.5	862.80
	5	3.8	3.9	5.1	4.4	803.80
	6	3.8	3.9	4.9	4.3	785.80
	7	3.8	3.9	4.8	4.2	735.30
	8	3.6	3.7	4.4	3.8	803.60
	9	3.5	3.5	4.1	3.6	835.10
	10	3.5	3.5	4.0	3.5	834.80
	11	3.3	3.4	3.9	3.4	878.10
	12	3.3	3.4	3.7	3.3	895.90
2005	1	3.3	3.5	4.1	3.7	932.70
	2	3.3	3.6	4.6	4.2	1,011.40
	3	3.3	3.6	4.5	4.0	965.70
	4	3.3	3.5	4.3	3.9	911.30
	5	3.3	3.5	4.1	3.7	970.20
	6	3.3	3.5	4.2	3.8	1,008.20
	7	3.3	3.5	4.5	4.1	1,111.30
	8	3.3	3.5	4.8	4.3	1,083.30
	9	3.3	3.7	4.9	4.5	1,221.00
	10	3.4	3.9	5.2	4.8	1,158.10

Source: The Bank of Korea

## 14. Monetary indicators

See graph 9-5

(Period average)

(Billion won)

Period	Reserve money	M1	M2	M3
2000	26,357.0	183,349.9	691,393.5	882,764.3
2001	29,375.9	216,442.4	739,337.0	967,324.9
2002	33,579.3	265,042.4	824,227.8	1,092,168.8
2003	35,754.7	283,397.4	888,988.6	1,187,839.8
2004	38,875.0	302,742.1	901,048.5	1,219,452.7
1	37,664.2	303,377.3	906,803.8	1,227,580.6
2	37,380.6	306,044.0	916,675.5	1,240,792.7
3	36,990.4	305,387.2	918,104.4	1,241,191.1
4	36,980.0	302,199.8	921,047.9	1,246,816.4
5	36,922.6	304,267.2	925,909.9	1,255,118.7
6	36,086.0	305,847.1	927,447.0	1,261,956.8
7	36,525.5	303,270.1	930,254.5	1,265,835.3
8	37,292.9	307,386.4	938,988.9	1,277,735.9
9	37,783.5	309,055.2	937,308.7	1,277,608.6
10	37,347.3	309,111.4	940,819.9	1,281,810.9
11	37,421.0	318,393.9	946,438.9	1,289,901.1
12	39,910.0	319,641.8	948,511.9	1,293,677.9
2005	39,675.3	326,808.0	955,165.0	1,299,294.0
1	38,039.2	332,776.6	965,699.6	1,306,902.0
2	37,932.3	331,756.2	968,730.0	1,308,378.1
3	37,911.3	328,875.1	971,942.6	1,316,437.6
4	37,842.3	334,444.0	981,382.2	1,330,813.8
5	38,103.3	345,017.5	991,985.6	1,343,659.2
6	38,630.0	345,405.6	996,066.5	1,348,138.3
7	39,864.5 <sup>p</sup>	344,141.4	994,137.0	-
<b>Y-o-Y change (%)</b>				
2000	20.0	24.5	2.2	5.6
2001	11.5	18.0	6.9	9.6
2002	14.3	22.5	11.5	12.9
2003	6.5	6.9	7.9	8.8
2004	9.6	6.0	2.4	4.9
1	4.0	7.5	2.6	5.1
2	7.2	8.3	2.7	5.3
3	3.8	9.9	3.1	5.4
4	5.2	9.2	3.9	5.9
5	4.3	9.2	4.4	6.0
6	3.2	10.2	4.6	5.9
7	2.8	8.4	4.9	6.3
8	1.2	7.3	5.4	6.3
9	6.4	7.9	5.9	6.6
10	2.7	6.2	4.9	5.9
11	0.9	7.5	4.9	6.3
12	-2.5	5.6	5.3	6.1
2005	5.3	7.7	5.3	5.8
1	1.8	8.7	5.3	5.3
2	2.5	8.6	5.5	5.4
3	2.5	8.8	5.5	5.6
4	2.5	9.9	6.0	6.0
5	5.6	12.8	7.0	6.5
6	5.8	13.9	7.1	6.5
7	6.9 <sup>p</sup>	12.0	5.9	-

p: preliminary  
Source: The Bank of Korea

## 15. Exchange rates

See graphs 9-2 &amp; 9-3

Period	₩ / US\$		₩ / 100 ¥		₩ / Euro		
	End-period	Average	End-period	Average	End-period	Average	
2002	1,200.4	1,251.2	1,012.9	999.6	1,257.4	1,180.6	
2003	1,197.8	1,191.9	1,119.6	1,030.0	1,502.6	1,348.3	
2004	1,043.8	1,144.7	1,012.1	1,058.8	1,423.0	1,422.9	
2004 1	1,173.6	1,184.3	1,107.9	1,112.7	1,461.7	1,472.9	
2	1,174.5	1,166.7	1,072.5	1,095.7	1,461.0	1,473.9	
3	1,153.6	1,166.3	1,090.0	1,073.1	1,404.8	1,430.0	
4	1,167.7	1,150.9	1,062.1	1,071.2	1,396.2	1,381.3	
5	1,165.7	1,177.4	1,056.2	1,048.9	1,426.7	1,412.2	
6	1,152.5	1,158.6	1,064.0	1,059.0	1,393.7	1,407.3	
7	1,168.3	1,157.7	1,041.6	1,059.1	1,405.8	1,420.8	
8	1,153.8	1,159.0	1,048.5	1,050.3	1,389.8	1,412.1	
9	1,147.9	1,148.0	1,033.5	1,044.9	1,416.3	1,401.0	
10	1,126.0	1,144.0	1,059.2	1,049.5	1,434.8	1,428.7	
11	1,047.9	1,091.2	1,018.3	1,041.0	1,390.8	1,416.3	
12	1,043.8	1,050.9	1,012.1	1,012.5	1,423.0	1,408.6	
2005 1	1,026.4	1,038.2	990.1	1,005.7	1,336.2	1,363.7	
2	1,008.1	1,022.4	957.6	974.8	1,334.4	1,333.9	
3	1,024.3	1,007.5	952.5	957.1	1,323.5	1,328.6	
4	1,002.5	1,010.9	944.7	942.6	1,293.7	1,308.8	
5	1,002.5	1,002.2	928.4	939.4	1,251.3	1,271.8	
6	1,024.4	1,010.9	927.3	930.1	1,237.7	1,229.1	
7	1,028.3	1,037.4	915.8	927.2	1,247.2	1,249.5	
8	1,031.0	1,021.2	925.6	921.8	1,259.2	1,254.5	
9	1,038.0	1,029.3	915.9	927.1	1,247.4	1,262.1	
10	1,042.7	1,046.3	900.4	910.9	1,256.7	1,258.0	
<b>Y-o-Y change (%)</b>							
2002	-9.5	-3.1	0.3	-5.9	7.2	2.1	
2003	-0.2	-4.7	10.5	3.0	19.5	14.2	
2004	-12.9	-4.0	-9.6	2.8	-5.3	5.5	
2004 1	0.3	-0.4	12.2	12.0	15.1	19.3	
2	-1.0	2.1	6.3	9.9	14.5	14.9	
3	-7.9	-5.4	4.3	3.3	4.0	7.4	
4	-3.7	-6.6	4.7	4.1	3.6	3.2	
5	-3.4	-1.9	3.5	2.5	-0.6	1.4	
6	-3.4	-3.0	6.8	5.0	2.3	1.0	
7	-1.0	-2.0	6.2	6.4	5.0	5.6	
8	-2.2	-1.6	4.3	5.9	8.2	7.4	
9	-0.2	-1.6	0.4	2.9	6.4	7.0	
10	-4.4	-1.9	-2.2	-1.5	4.8	4.6	
11	-12.9	-7.9	-7.5	-4.1	-2.9	2.2	
12	-12.9	-11.9	-9.6	-8.5	-5.3	-3.8	
2005 1	-12.5	-12.3	-10.6	-9.6	-8.3	-8.7	
2	-14.2	-12.4	-10.7	-11.0	-8.7	-9.5	
3	-11.2	-13.6	-12.6	-10.8	-5.8	-7.1	
4	-14.1	-12.2	-11.0	-12.0	-7.3	-5.3	
5	-14.0	-14.9	-12.1	-10.4	-12.3	-9.9	
6	-11.1	-12.8	-12.9	-12.2	-11.2	-12.7	
7	-12.0	-10.4	-12.1	-12.5	-11.3	-12.1	
8	-10.6	-11.9	-11.7	-12.2	-9.4	-11.2	
9	-9.6	-10.3	-11.4	-11.3	-11.9	-9.9	
10	-7.4	-8.5	-15.0	-13.2	-12.4	-11.9	

Source: The Bank of Korea

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