

Republic of Korea  
**ECONOMIC  
BULLETIN**

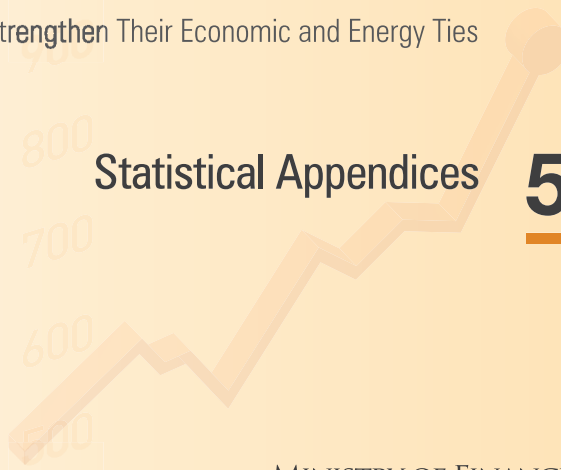
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Republic of Korea

# Economic Bulletin

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# Ten Years After the Asian Financial Crisis: Korea's Financial Recovery and Beyond

## I. Strengthened position in global financial arena

### 1. Upgraded sovereign credit rating

Amid the Asian financial crisis, the three major credit rating agencies drastically lowered Korea's sovereign ratings to non-investment grade (BB + or below Ba 1); S&P lowered Korea's sovereign rating by 10 notches from AA- to B+, while Moody's by six notches from A1 to Ba1 and Fitch by 12 notches from AA- to B-. Since then, however, Korea's sovereign ratings were gradually upgraded as the country exhibited enhanced economic performances, such as economic recovery, rise in the foreign currency reserves, and restructuring of ailing companies.

Thus, in 2002, the country was finally awarded around "A" sovereign ratings from the three major credit appraisers; S&P raised Korea's sovereign rating by one notch to A- from BBB+ in July 2002, while Moody's by two notches to A3 from Baa2 in March 2002 and Fitch by two notches to A from BBB+ in June 2002.

After the participatory government was launched in 2003, Korea received another rating upgrade from all three major credit appraisers. The sovereign ratings were adjusted upward, just one to two notches below the level prior to the financial crisis; S&P raised the country's sovereign rating by one notch to A from A- in July 2005, while Moody's by one notch to A+ from A in October 2005 and Fitch by one notch to A2 from A3 in July 2007.

### 2. Enhanced voice in the IMF due to quota increase

The 2006 IMF/WB Annual Meeting held in Singapore approved IMF quota increase for Korea, China, Turkey and Mexico. As a result, Korea's IMF quota became the 19<sup>th</sup> largest with 1.346 percent, up from 28<sup>th</sup> with 0.764 percent. Of the organization's 184 member nations, only 4 countries were granted quota increase, among which Korea received the largest increase.

### 2006 IMF quota increase

Korea (76%), China (25%), Turkey (22%), Mexico (18%)

IMF evaluated the quota increase as the most significant and momentous reform it had conducted since its foundation in 1945. Particularly for Korea, the quota increase indicates Korea will have louder voice and more power in the global financial market, given that all decisions by the IMF are made in proportion to the quota of member nations. Accordingly, the quota raise is expected to provide the country with more opportunities to assume executive directorship of the IMF. At present, Korea is allowed to hold the IMF's executive director position for only 2 years every 8 years (2 years for acting director and 4 years for senior advisor). But the term will be extended based on the increased quota.

The 24 executive directors constitute its Executive Board, the organization's major decision making body. With the position, they are provided with more opportunities to lead discussion over a range of major global financial issues by participating in the International Monetary Financial Committee meeting\*.

*\* International Monetary Financial Committee (IMFC) is the advisory committee held semi-annually and attended by committee members (finance ministers and central bank governors) from 24 nations holding executive directorship.*

## II. Improved major internal & external economic indicators

### 1. Balance of payments

Korea's current account, which had registered chronic deficits before the Asian financial crisis, reversed to a surplus. In particular, surplus in goods trade remained stable compared to the period prior to the financial crisis. The reason behind the surplus lies in stronger international competitiveness of exports and diversified export destinations. As well, also contributed is the shift of focus in export industries towards IT and heavy chemical industries, which is more affected by foreign exchange market than by the global economic conditions. In fact, after the Asian financial crisis, the impact of changes in the foreign exchange market on export growth fell to 12.8 percent from 22.8 percent before the crisis while that of global economic conditions increased to 43.1 percent from 14.1 percent during the same period.

**Number of Korean companies in top 100 global brands** (Interbrand, US)

1 (Samsung, 2001) → 3 (Samsung, Hyundai Motors, LG, 2006)

**Ratio of developing countries among Korea's export destinations** (%)

30 (1990) → 63 (2006)

However, the country is likely to face difficulties maintaining surpluses, as the current account is projected to reach an equilibrium level in 2008. However, such difficulties are likely to be eased helped by enhanced competitiveness in the export and service industries.

## 2. Foreign exchange reserves

As of October 2007, Korea's foreign currency reserves stood at US\$260.14 billion, a near 13-fold increase from US\$20.4 billion at the end of December 1997. Those reserves stood only 24<sup>th</sup> among the world's entire foreign reserves at the end of 1997 amid financial crisis, but they climbed 19 notches to be ranked 5<sup>th</sup> at the end of September 2007. Meanwhile, the share of foreign currency reserves relative to GDP sharply rose to 27 percent as of 2006 from a mere 4 percent at the end of 1997.

Korea's foreign exchange reserves currently amounting to US\$260 billion serve as a safeguard for the economy against uncertainty in the global financial market. In particular, those reserves have helped regain economic stability amid growing uncertainty in the global financial market triggered by North Korea's nuclear issues and the US sub-prime mortgage crisis.

## 3. Foreign exchange rate

The Korean won sharply depreciated during the Asian financial crisis, trading at almost 2,000 won to US dollar. Since then, however, the won has seen a trend appreciation on the back of the strengthened economic fundamentals and increased trade surplus; thereby the overshooting of exchange rate caused by the financial crisis has been mitigated. As a result, the won/dollar exchange rate has once fell under 900 won on October 31, 2007, almost regaining won's value of the period prior to the financial crisis.

In particular, as Korea changed its foreign exchange regime from the market average exchange rate system to the free floating exchange rate system in December 1997, it has secured independence in setting domestic interest rates and successfully established a system where external shocks are absorbed by exchange rate adjustment.

## 4. Foreign exchange market

Korea's foreign exchange (FX) market has grown in both quantity and quality on the back of expanded external transactions and the FX liberalization measures.

In fact, average daily FX transactions in the inter-bank market were up ten-fold to US\$2.3 billion in the 3<sup>rd</sup> quarter of 2007, compared to less than US\$2 billion in 1997.

Such expansion of Korea's FX transactions has led to the stability of the FX market with decreased volatility in foreign exchange rates.

### Day-on-day change in won/dollar exchange rate (%)

0.94 (1997) ↻ 0.99 (1998) ↻ 0.33 (2006) ↻ 0.25 (Q3, 2007)

In particular, transactions of derivatives including futures exchange and swaps have shown dramatic surge during the period, illustrating that economic players have become eager to manage forex risks on their own and respond to changes in exchange rates.

## Korea's forex liberalization

Dates	Measures	Major improvements
Apr 1999	The first phase of Forex Liberalization	<ul style="list-style-type: none"> <li>- Abolishing the Foreign Exchange Management Laws and enacting the Foreign Exchange Transaction Laws</li> <li>- Converting regulations on capital transactions into a negative system</li> </ul>
Jan 2001	The second phase of Forex Liberalization	<ul style="list-style-type: none"> <li>- Abolishing the ceilings on overseas payments for overseas expenses for travel, stay and education, and emigration</li> </ul>
Apr 2002	Mid-to-long term policy direction to deregulate the foreign exchange market	<ul style="list-style-type: none"> <li>- Aiming to complete forex liberalization by 2011 through 3 phases</li> </ul>
Dec 2005	Abolition of Capital Transaction licensing system	<ul style="list-style-type: none"> <li>- Transformed to ex post report system</li> </ul>
Jan & Mar 2006	Measures to expand outbound FDI	<ul style="list-style-type: none"> <li>- Removing the ceilings on outbound FDI by individuals and restrictions limiting the types and items of overseas securities investment by individuals</li> </ul>
May 2006	Early Implementation of Forex Liberalization Plan	<ul style="list-style-type: none"> <li>- Advancing the schedule of forex liberalization plan from 2011 to 2009</li> <li>- Aiming to complete the second phase of the forex liberalization plan by 2009</li> <li>- Allowing acquisition of overseas real estate for investment purpose up to US\$1 million</li> </ul>
Jan 2007	Measures to Boost Corporate Expansion Overseas & Encourage Overseas Direct Investment	<ul style="list-style-type: none"> <li>- Raising the limit on the acquisition of overseas real estate by Korean nationals for investment purpose from US\$1 million to US\$3 million</li> </ul>
Dec 2007	Measures to establish market-friendly forex transaction system	<ul style="list-style-type: none"> <li>- Full completion of the first phase of the Forex Liberalization Plan as scheduled</li> <li>- Abolishing the reporting requirement for capital transactions up to US\$50,000 and reducing documents required for reporting</li> </ul>

## 5. External debt

Korea's gross external debt rose from US\$177.4 billion in September 1997 to US\$311.1 billion in June 2007 while short-term external debt increased from US\$80.5 billion to US\$137.9 billion during the same period.

Despite the increased external debt, the ratio of short-term external debt to foreign reserves has dramatically reduced due to the surge in foreign reserves. As of now, Korea recovered from net-debtor during the financial crisis to become net-creditor.

In particular, excluding foreign bank branches' external debt taken care of by their foreign bank headquarters, the gross external debt posted US\$236.1 billion as of June 2007 and the ratio of floating external debt, debt with less than one year left to the maturity, to foreign reserves was a mere 36 percent if foreign bank branches' external debt is not included.

### External debt of foreign bank branches in Korea (US\$ billion)

25.8 (1997) → 75 (Jun 2007)

Amid the Asian financial crisis, banks operated the short-term loans on the long-term, resulting in tightened short-term liquidity in the foreign currency market. However, at present, the ratio of soundness of foreign exchange indicates the stabilized level of mis-matching.

		1995	1996	1997	...	2005	2006	Jun 2007	Stable level
Ratio of medium-to-long term financing with foreign currency-denoted loan (%)*	Bank	62.9	62.9	92.8	⇒	143.4	127.2	128.4	≥ 80
	Integrated finance	39.9	33.6	31.7					

\* From 1995 to 1997: +1yr medium-to-long term financing with foreign currency / +1yr medium-to-long term foreign currency operation

\* From 2005 to 2007: +1yr medium-to-long term financing with foreign currency (excluding borrowings from non-banks) / +1yr medium-to-long foreign currency-denoted loans

Korea's external debt to GDP stands at 35 percent, which is not severe relative to the size of the economy and even comparing to leading economies.

### Comparison to major economies

Foreign bond to GDP* (%)	England (425)	Hong Kong (269)	Germany (148)	Japan (35)	<b>Korea (35)</b>	Thailand (29)	Mexico (21)
Net vol. of government debt** (US\$ billion)	Italy (-54.9)	Australia (-39.1)	Canada (-23.4)	France (-22.3)	Malaysia (3.3)	<b>Korea (10.2)</b>	Singapore (20.1)

\* Source: The Bank of Korea (As of June 2007)

\*\* Source: IMF IFS (As of the end of 2007, 2006)

In addition, in 1997, the foreign bond was used for the purpose of deficit-financing, supporting the supply of foreign currency, whereas the recently issued foreign bond is being used for the purpose of bridge-financing\*, with its basis on future surplus.

\* To hedge foreign exchange risks in shipbuilding orders or foreign securities investment, the expected capital income in the future is flowed in the form of loans from banks. And when the future foreign exchange contract is matured, the borrowing is automatically redeemed.

(US\$ billion)

	1996	1997	...	2006	2007 Jun
Shipbuilding orders	7.1	10.4	⇒	43.5	33.2
Investment in foreign securities	6	-2		22.6	27.1

### III. Enhanced protection and countermeasure system in the foreign currency market

#### 1. Building pre-emptive management system against risk factors in FX market

After the Asian financial crisis, with the main support of the International Finance Bureau of the Ministry of Finance and Economy (MOFE), the preemptive management system was established to systematically examine and manage risk factors in the foreign exchange market and continuous efforts have been made since then. With the surveillance system, the trends in the international financial market and foreign exchange market have been examined, and stabilization measures have been constantly pursued. In addition, the government has closely monitored and responded to the foreign liabilities, bonds, soundness of foreign exchange, and the conditions and interest rates of foreign loans with appropriate measures. Also, the government has paid attention to movements in the foreign exchange market and run smoothing operation when abrupt movements caused by speculative activities are detected to promote the stabilization of the market sentiment.

#### 2. Establishing international financial center

Korea Center for International Finance (KCIF) was established to promptly respond to rapidly changing international financial market and prevent the reoccurrence of the Asian financial crisis. The center was established as a private institution, playing a role of ‘watch dog’ of the Korean economy as keeping a close relationship with the market. In accordance with Foreign Exchange Transactions Act, it was appointed by the government as the institution which analyzes foreign exchange information and operates public functions; analyzing and evaluating foreign exchange information, collecting and analyzing information in the international financial market, and managing the early warning system (EWS). In particular, as responding to the risk factors in the global financial market caused by the instability from the North Korea’s nuclear issues or the US sub-prime mortgage crisis and closely monitoring the market movements, it provides the public institutions and financial corporations with valuable information.

#### 3. Expanding infrastructure for FX management

Aiming at recognizing and efficiently managing unexpected challenges since the launch of Forex Liberalization plan, the foreign exchange network has been established to effectively collect, manage, and use information regarding foreign exchange transactions.

Bank of Korea (BOK) is in charge of operating and managing the foreign exchange network as well as mediating, integrating, and exchanging the data of foreign exchange transaction, provided by foreign exchange operating institutions. BOK, MOFE, National Tax Service, Korea Customs Service, Financial Intelligence Unit, Financial Supervisory Service, Korea Deposit Insurance Corporation, and KCIF then receive the data through the foreign exchange network, and they process and analyze them for their own use. And institutions dealing with FX transactions are required to submit information on FX transactions to BOK.

*\* As of June 2007, there are currently 96 institutions, including BOK, which are directly related to the foreign exchange network along with 175 indirectly-related institutions and 5 mediation institutions.*

Since July 1999, KCIF has analyzed potential risk factors in depth, produced reports based on what has been observed, and prepared a monthly report to MOFE and BOK. Although the recent results of EWS indicate that the financial market is operated as usual, risk factors, including China's high inflation and rise in oil and commodity prices, need to be carefully examined as well.

#### 4. Promoting countermeasures to regional financial crisis

During ASEAN+3 Finance Ministers Meeting of 2000 in Chiang Mai, Thailand, Korea agreed with other delegates to establish the Chiang Mai Initiative (CMI)\*, the regional mutual financial support system to prevent the recurrence of the financial crisis.

*\* CMI is a bilateral swap arrangement where the local currency is under the custody of the other country as prompt borrowing of the foreign currency (US\$) for the short-term use is made during the financial crisis.*

Since then, Korea has strengthened its efforts to improve the system by increasing mutual financial support and establishing collective decision-making system to allow speedy response. In particular, in 2006, Korea's contribution in the mutual financial support more than doubled from US\$39.5 billion in 2005 to US\$80 billion in April 2007. Meanwhile, Korea has been taking a leading role in operating the regional risk management system by pledging to fund US\$18 billion, 22 percent of the total funds.

During ASEAN+3 Finance Ministers Meeting of 2006, delegates agreed to develop the current bilateral swap arrangement into an advanced framework, a multilateral CMI of a single joint emergency fund. In 2007, general consensus is reached on the basic direction of CMI collaborated fund, including financing and legal formats. Since June 2007, critical issues related to operation of the multilateral CMI fund, including total size of the fund, conditions to meet to be funded, and decision-making system, have been under discussion.

CMI swap arrangements are expected to strengthen the confidence in the market by sending a signal that the regional financial crisis can be managed in a much better manner, which contributes to the stabilization of the financial market. Moreover, in case of financial crisis, the system will enable a speedy action against risks by providing short-term funds at an early stage and thus will prevent the risks from spreading throughout the region.

# The Green Book

## Current Economic Trends

### Overview

**The Korean economy has maintained balanced growth with continued sound exports and improved domestic indicators including consumption.**

Industrial production recovered double digit growth of 17.8 percent in October from a 0.3 percent increase of the previous month, thanks to the sustained growth of exports and domestic demand and the increased number of days worked as *Chuseok* holidays shifted to September this year. In the meantime, the growth of service activities also expanded from 3.8 percent to 9.0 percent.

Consumer goods sales continued brisk growth in October on the back of expanded durable goods sales growth from 7.1 percent to 21.1 percent, although non-durable goods growth dropped from 10.5 percent to 1.1 percent.

Facility investment (*estimated*) in October rebounded from an 8.3 percent decrease to a 3.3 percent increase as investment in transportation equipment surged 15.1 percent after dropping 22.4 percent in the previous month while the decrease in machinery investment moderated from 6.3 percent to 0.6 percent.

November exports surged by 17.5 percent to register 35.95 billion won, reaching a monthly record high of this year, on the back of the robust performance of main export items such as machinery and wireless communication equipment.

The current account surplus expanded to US\$2.56 billion in October from US\$2.3 billion in September as the goods balance surplus sustained and the service balance deficit reduced.

Consumer prices edged up by 3.5 percent year-on-year in November, maintaining the 3 percent range growth for two consecutive months as cost factors such as rising oil prices and low yield of agricultural crops were fully reflected in prices.

**To sum up, the recent Korean economy has maintained its upturn trend in the second half of this year as expected, supported by solid exports and increased domestic demand.**

Although fluctuation in economic indicators in September and October expanded due to irregularities including the shift of *Chuseok* holiday, average indicators during the same period excluding such irregularities sustained the recent trend growth.

Nonetheless, as downside risks such as rising oil prices, slowing US economy, and the possibility of China's additional tightening have heightened, such risk factors need to be thoroughly monitored while the macroeconomic policy is managed in a stable manner to prevent fluctuations in macro variables from expanding.

## 1. Global Economy

Despite economic slowdown in major advanced countries such as the US, the global economy maintained solid growth driven by rapid expansion of emerging economies.

However, risk factors such as US financial market instability and increasing global inflationary pressures stemming from surging oil and raw material prices have expanded.

### US

The US economy registered a revised growth of 4.9 percent (*preliminary*) from a 3.9 percent increase (*advanced*) in the third quarter, hitting the highest level in 6 years on the back of increased business inventories and strong exports.

Growth is forecast to slow down after the fourth quarter due to decreased consumption expenditure arising from continuation of sluggish housing market, surging oil prices and housing price decreases.

#### US Q4 growth forecast by leading IBs (%)

Merrill Lynch (0.4), Goldman Sachs (1.5), JP Morgan (0.5), Lehman Brothers (1.4)

Consumer sentiment indices are deteriorating recently while the consumer spending increase trend is slowing, and due to increased housing inventory and large decreases in housing prices, the housing sector is on a continued slump.

Further, due to energy price increases, inflation pressures are expanding.

Core personal consumption expenditure (PCE) in October increased by 1.9 percent, which is higher than the previous month's increase of 1.8 percent. Core consumer price index (CPI) increased by 2.2 percent, up from the previous month's increase of 2.1 percent.

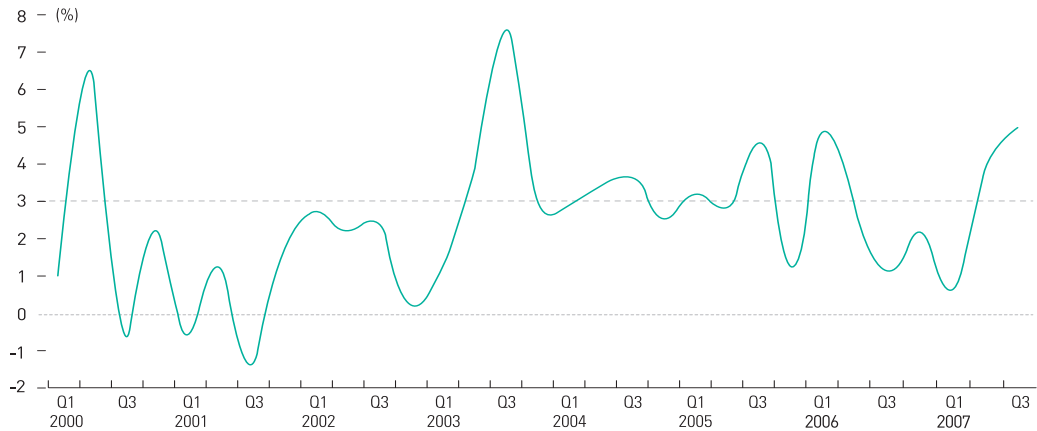
(Percentage change from previous period)

	2006		2007					
	Annual	Q4	Q1	Q2	Q3	Aug	Sep	Oct
Real GDP <sup>1</sup>	2.9	2.1	0.6	3.8	4.9	-	-	-
- Personal consumption expenditure	3.1	3.9	3.7	1.4	2.7	-	-	-
- Corporate fixed investment	6.6	-1.4	2.1	11.0	9.4	-	-	-
- Construction investment for housing	-4.6	-17.2	-16.3	-11.8	-19.7	-	-	-
Industrial production	3.9	-1.5	1.1	3.5	4.4	0.1	0.2	-0.5
Retail sales	6.2	0.2	1.6	1.3	0.9	0.1	0.7	0.2
New non-farm payroll employment (q-o-q, thousand)	189	177	142	126	94	93	96	166
New home sales	-18.1	-0.8	-13.5	0.2	-10.2	-9.9	-0.1	1.7
Core consumer prices (y-o-y, %)	2.5	2.6	2.6	2.3	2.2	2.1	2.1	2.2

1. Annualized rate

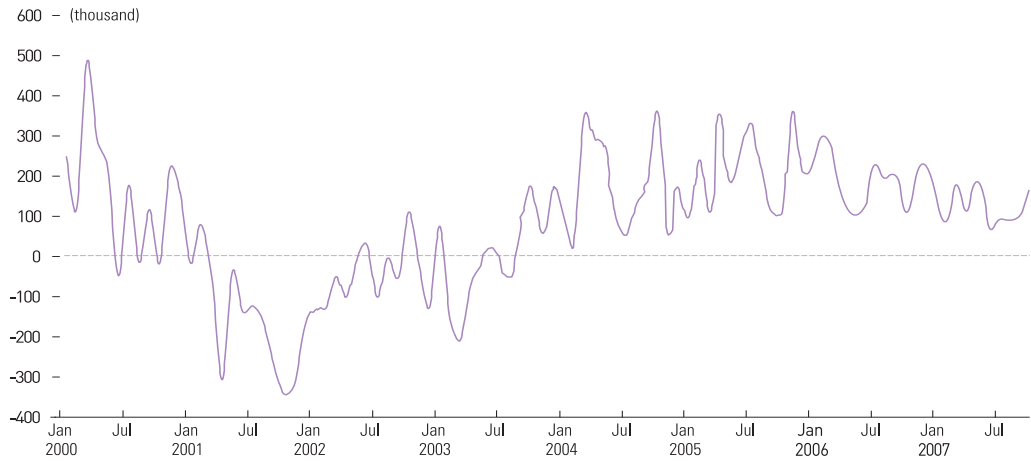
### 1-1 US GDP (q-o-q, annualized rate)

Source: US Department of Commerce



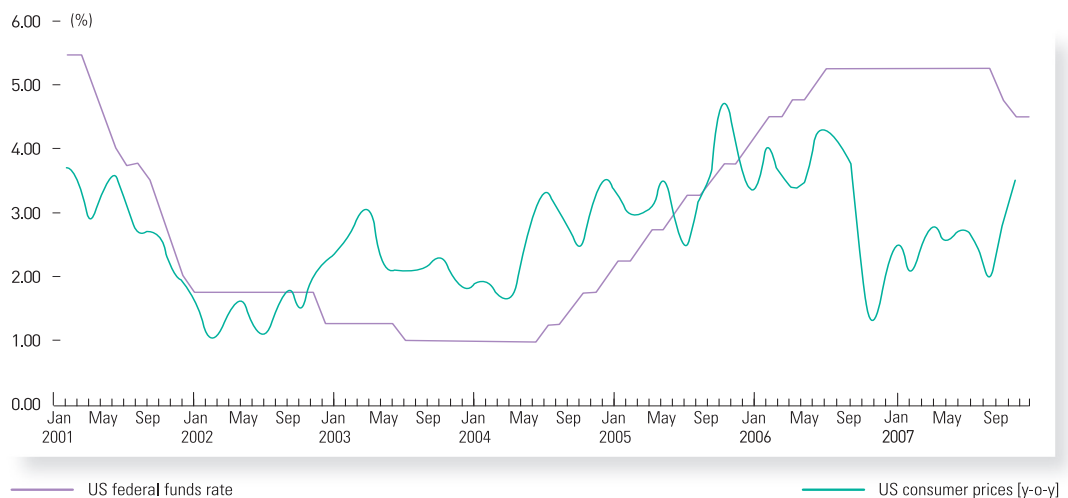
### 1-2 US non-farm payroll employment (m-o-m change)

Source: US Department of Labor



### 1-3 US federal funds rate and consumer prices

Source: US Federal Reserve Board & Department of Labor



## China

On the influence of sharp increases in pork, vegetable and food prices, the Chinese economy recorded 6.5 percent increase of CPI in October. Moreover, it seems inevitable for the Chinese government to implement additional financial tightening measures as inflation pressures have been rising due to surging oil prices, nominal wage increases, and rapid increase in liquidity aside from the food price factor.

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

	2006		2007					
	Annual	Q4	Q1	Q2	Q3	Aug	Sep	Oct
Real GDP	11.1	10.4	11.1	11.9	11.5	-	-	-
Fixed asset investment (accumulated)	24.5	24.5	25.3	26.7	26.4	26.7	26.4	26.7
Retail sales	13.7	14.3	14.9	15.8	16.8	17.1	17.0	18.1
Industrial production	16.6	14.8	18.3	18.7	18.5	17.5	18.9	17.9
Exports	27.2	29.1	27.9	27.4	26.2	22.7	22.8	22.3
Consumer prices	1.5	2.0	2.7	3.6	6.1	6.5	6.2	6.5

## Japan

On the back of expanding export and consumption increase trends, the Japanese economy has expanded 0.6 percent in the third quarter shifted from a 0.4 percent decrease in the previous quarter. However, temporary decrease in housing investment due to revision of the Construction Law in June, high oil prices and US economic slowdown lead to augmenting risk factors for future economic slowdown.

*(Percentage change from previous period)*

	2006		2007					
	Annual	Q4	Q1	Q2	Q3	Aug	Sep	Oct
Real GDP	2.3	1.3	0.7	-0.4	0.6	-	-	-
Industrial production	4.8	2.2	-1.2	0.1	2.3	3.5	-1.4	1.6
Retail sales	0.1	-0.8	1.9	-0.7	-0.8	-3.9	-1.5	2.6
Exports (y-o-y, %)	14.6	11.2	12.5	13.1	10.7	14.5	6.5	13.9
Core consumer prices (y-o-y, %)	0.1	0.1	0.1	-0.1	-0.1	-0.1	-0.1	0.0

## Eurozone

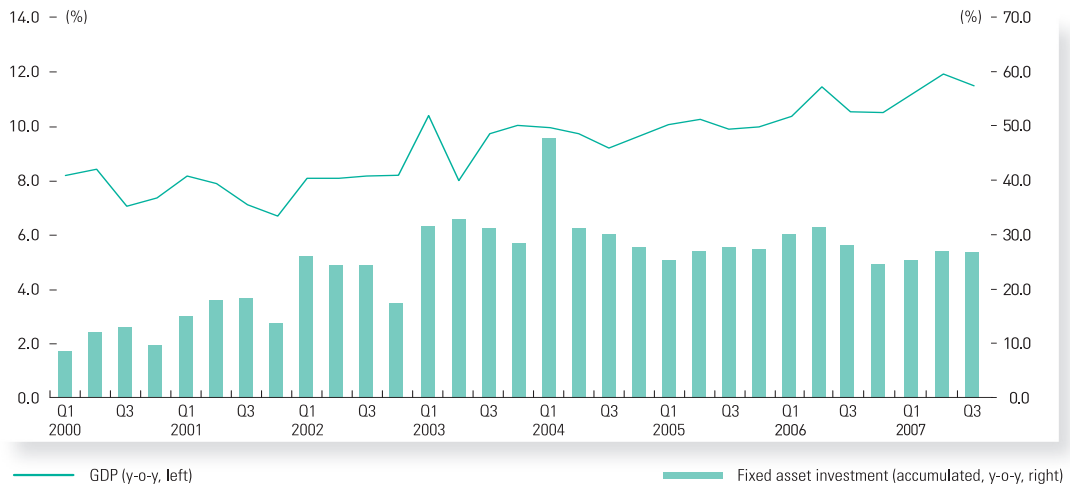
The eurozone experienced higher economic growth of 0.7 percent than the previous quarter's 0.3 percent driven by recovery in corporate investment (Germany and Netherlands) and increase in consumption (France). Despite the increased inflationary pressure due to high oil prices, the possibility of interest rate freeze is increasing as the economy is forecast to slow down because of the strong euro and the US financial market turmoil.

*(Percentage change from previous period)*

	2006		2007					
	Annual	Q4	Q1	Q2	Q3	Aug	Sep	Oct
Real GDP	2.7	0.9	0.7	0.3	0.7	-	-	-
Industrial production	4.0	0.8	1.0	0.4	1.6	1.2	-0.7	-
Retail sales	2.1	0.4	0.0	0.2	0.7	0.0	0.3	-
Exports (y-o-y, %)	11.2	11.6	9.3	8.7	9.4	11.3	3.9	-
Consumer prices (y-o-y, %)	2.2	1.8	1.9	1.9	1.9	1.7	2.1	2.6

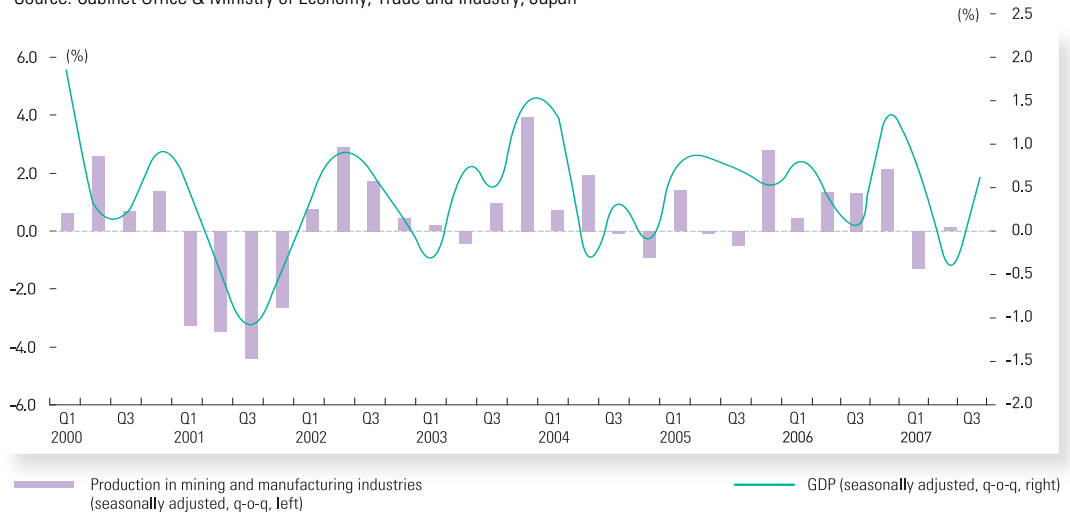
### 1-4 China's GDP and fixed asset investment

Source: National Bureau of Statistics of China



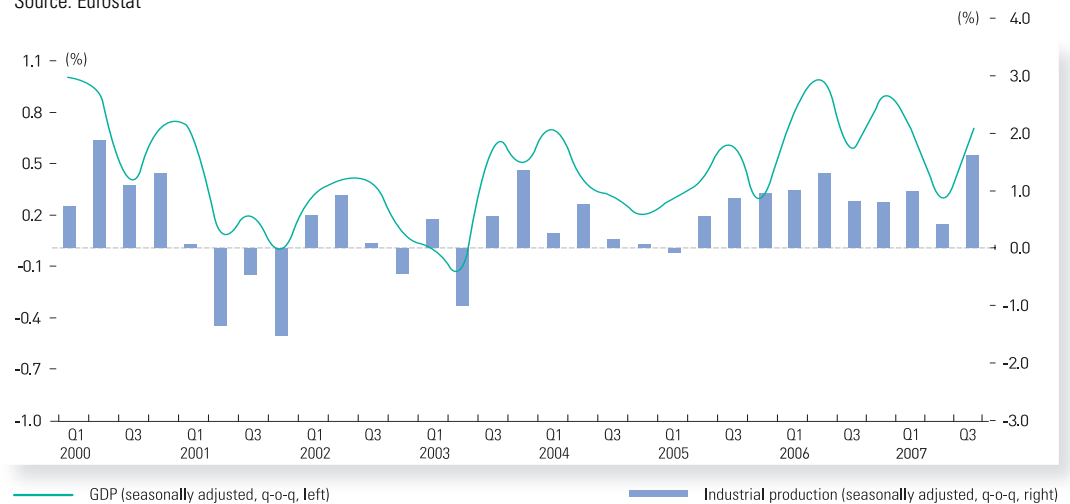
### 1-5 Japan's GDP growth

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



### 1-6 Eurozone GDP growth and industrial production

Source: Eurostat



## 2. Private consumption

The growth pace of private consumption (*preliminary GDP*) expanded 4.7 percent year-on-year in the third quarter accelerating from the 4.2 percent growth in the previous quarter. It gained on-quarter 1.2 percent in seasonally adjusted terms.

### Private consumption

(y-o-y, %): 4.1 (Q2 2006) ↻ 4.0 (Q3) ↻ 3.7 (Q4) ↻ 4.1 (Q1 2007) ↻ 4.2 (Q2) ↻ 4.7 (Q3)

(SA\*, q-o-q, %): 0.6 (Q2 2006) ↻ 0.9 (Q3) ↻ 1.0 (Q4) ↻ 1.5 (Q1 2007) ↻ 0.8 (Q2) ↻ 1.2 (Q3)

\* SA: seasonally adjusted

Consumer goods sales experienced slightly slower growth of 7.9 percent in October than the 8.5 percent growth a month prior. They, however, maintained trend growth.

In particular, durable goods sales (*up 21.1%*) including car sales (*up 12.6%*) led overall consumer goods sales growth while an increase in non-durable goods consumption dropped sharply from 10.5 percent to 1.1 percent as holiday demand disappeared.

(Percentage change from same period in previous year)

	2005		2006			2007				
	Annual	Annual	Oct	Q3	Q4	Q1	Q2	Q3'	Sep'	Oct'
Consumer goods sales	4.1	4.7	5.2	2.9	4.5	7.1	5.3	8.6	8.5	7.9
(Seasonally adjusted) <sup>2</sup>	-	-	0.8	-0.2	3.0	2.5	-0.2	3.3	2.8	-1.4
- Durable goods <sup>3</sup>	6.5	11.0	8.8	11.4	9.6	17.0	14.1	14.6	7.1	21.1
• Automobiles	9.5	8.1	3.5	4.2	1.3	9.8	9.3	4.3	-18.2	12.6
- Semi-durable goods <sup>4</sup>	7.9	5.1	0.0	2.9	3.6	6.4	3.6	5.7	6.5	6.8
- Non-durable goods <sup>5</sup>	1.2	1.1	6.2	-1.7	2.0	2.1	0.9	6.2	10.5	1.1

1. Preliminary

2. Percentage change from previous period

3. Durable goods (25.4%): Automobiles, electronic appliances, furniture, telecommunications devices, etc.

4. Semi-durable goods (24.0%): Clothing, footwear, etc.

5. Non-durable goods (50.5%): Food, medicine, cosmetics, fuel, tobaccos, etc.

The pace of sales growth in the industry slowed down, led by large discount stores which decelerated growth to 0.3 percent from 26.4 percent.

(Percentage change from same period in previous year)

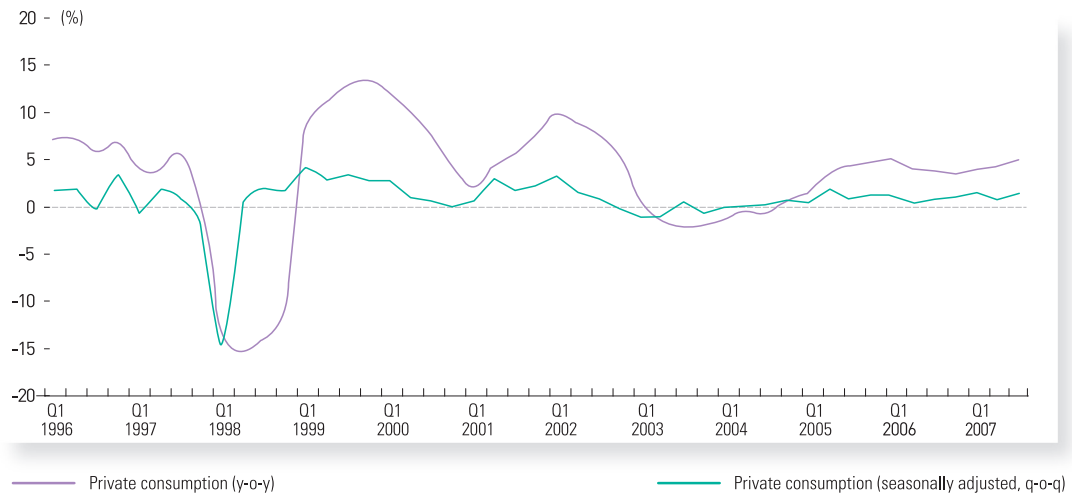
	2005		2006			2007				
	Annual	Annual	Oct	Q3	Q4	Q1	Q2	Q3'	Sep'	Oct'
- Department stores	3.1	3.7	-1.5	0.4	0.7	-2.1	-1.6	2.9	6.3	1.5
- Large discount stores	8.3	8.8	17.2	6.4	11.6	10.2	8.4	11.9	26.4	0.3
- Other retail stores <sup>2</sup>	1.3	0.6	2.0	0.4	1.7	2.1	0.2	2.4	2.1	0.0

1. Preliminary

2. Stores at traditional markets, shopping malls and underground malls

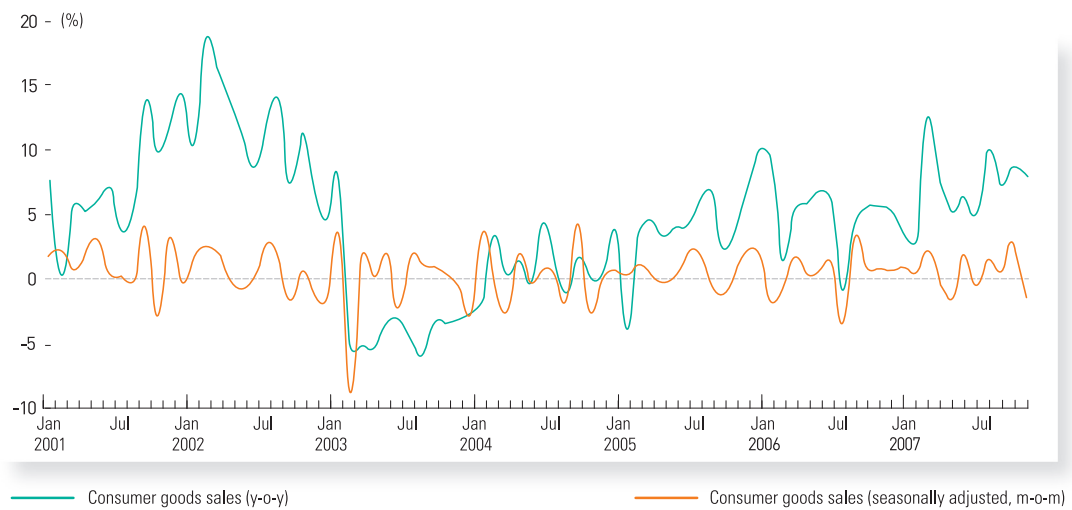
## 2-1 Private consumption

Source: The Bank of Korea (national accounts)



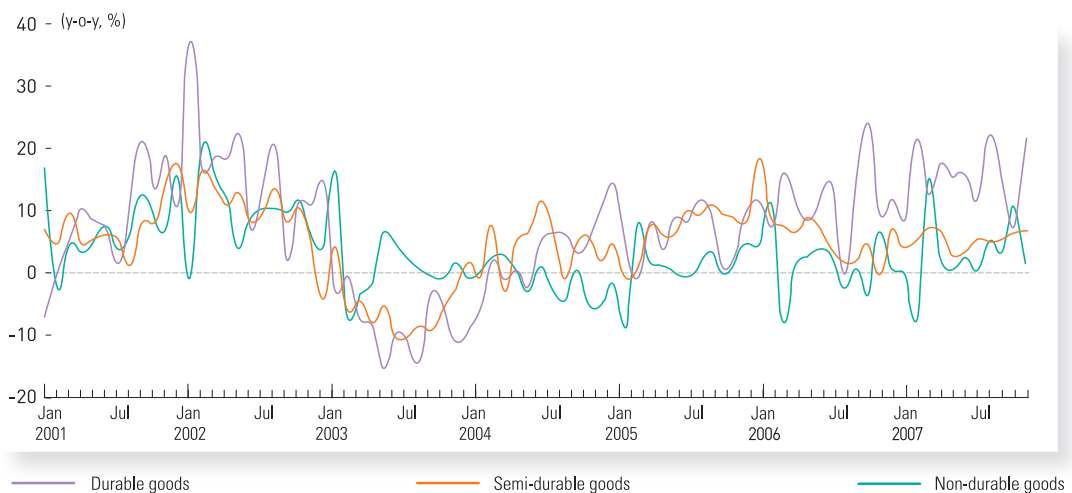
## 2-2 Consumer goods sales

Source: Korea National Statistical Office (industrial activity trend)



## 2-3 Consumer goods sales by type

Source: Korea National Statistical Office (industrial activity trend)



Consumption-related indicators posted favorable conditions, although car sales converted to a decrease trend due to high oil prices.

The credit card use continued to maintain double digit growth. The growth of sales volume at retail stores also improved compared to the previous month.

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

13.7 (Jun 2007) ↻ 18.4 (Jul) ↻ 14.8 (Aug) ↻ 10.0 (Sep) ↻ 23.0 (Oct) ↻ 16.6 (Nov)

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

4.4 (Jun 2007) ↻ 0.2 (Jul) ↻ 5.6 (Aug) ↻ 8.5 (Sep) ↻ 3.4 (Oct) ↻ 6.0 (Nov)

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

1.9 (Jun 2007) ↻ -2.3 (Jul) ↻ -1.7 (Aug) ↻ 20.9 (Sep) ↻ -12.0 (Oct) ↻ -1.6 (Nov)

Source: Ministry of Commerce, Industry and Energy  
The Credit Finance Association  
Ministry of Finance and Economy (Nov data)

Domestic sales of domestically manufactured automobiles reversed its course to post a small decrease of 1.7 percent from a 7.7 percent increase a month earlier, driven by the burden of high oil prices.

**Domestic sales of domestically manufactured automobiles**

(Thousand units): 106 (Jun 2007) ↻ 102 (Jul) ↻ 99 (Aug) ↻ 92 (Sep) ↻ 106 (Oct) ↻ 103 (Nov)  
(y-o-y, %): 5.7 (Jun 2007) ↻ 35.4 (Jul) ↻ 11.0 (Aug) ↻ -20.3 (Sep) ↻ 7.7 (Oct) ↻ -1.7 (Nov)

The recent recovery in consumption is deemed to be sustainable because it is supported by the improving consumption environment including income and consumer sentiment particularly since the latter half of 2006.

Real income also maintained an increase exceeding the GDP growth rate.

**Real GNI and GDP**

(Percentage change from same period in previous year)

	Q3 2006	Q4	Q1 2007	Q2	Q3
Real GNI	2.4	3.3	3.4	4.7	5.4
Real GDP	4.8	4.0	4.0	5.0	5.2

The consumer survey indices this year maintained its upturn trend.

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

93.9 (Oct 2006) ↻ 95.2 (Nov) ↻ 93.7 (Dec) ↻ 96.1 (Jan 2007) ↻ 98.1 (Feb) ↻ 97.8 (Mar) ↻ 100.1 (Apr)  
↻ 101.1 (May) ↻ 101.5 (Jun) ↻ 102.6 (Jul) ↻ 103.0 (Aug) ↻ 103.2 (Sep) ↻ 103.3 (Oct)

Source: Korea National Statistical Office

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

96 (Q3 2006) ↻ 98 (Q4) ↻ 103 (Q1 2007) ↻ 108 (Q2) ↻ 112 (Q3)

Source: The Bank of Korea

Sustainability of trend growth of private consumption will likely be determined by income and employment conditions.

**Number of employed** (y-o-y, thousand)

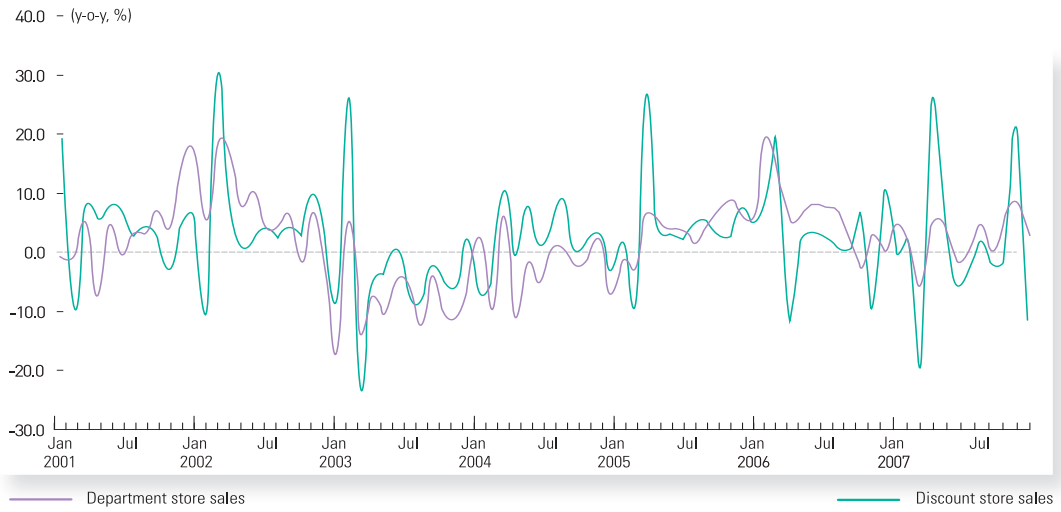
278 (Q4 2006) ↻ 264 (Q1 2007) ↻ 289 (Q2) ↻ 296 (Q3), 287 (Oct)

**Real household income** (nationwide, y-o-y, %)

5.4 (Q4 2006) ↻ 4.0 (Q1 2007) ↻ 1.0 (Q2) ↻ 4.9 (Q3)

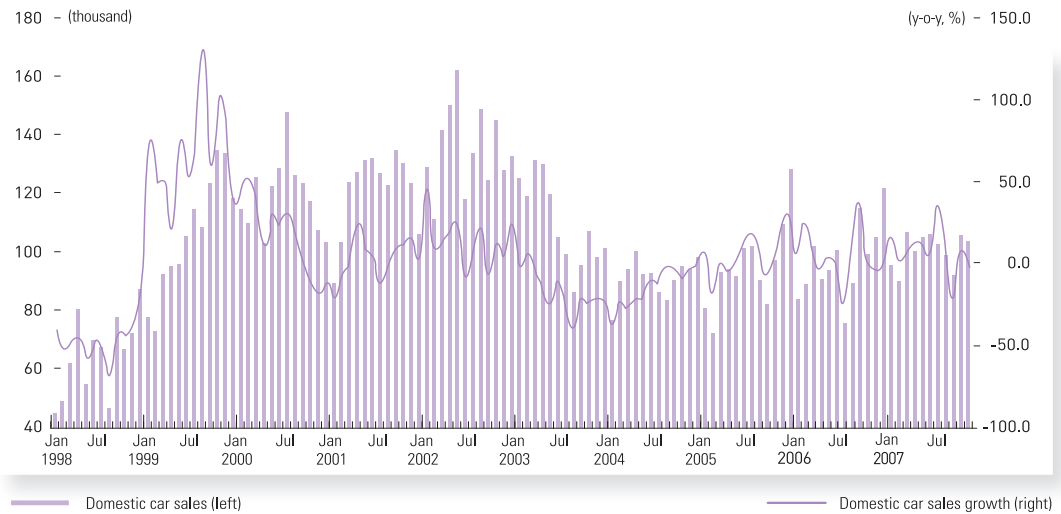
**2-4 Department store and discount store sales (current value)**

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



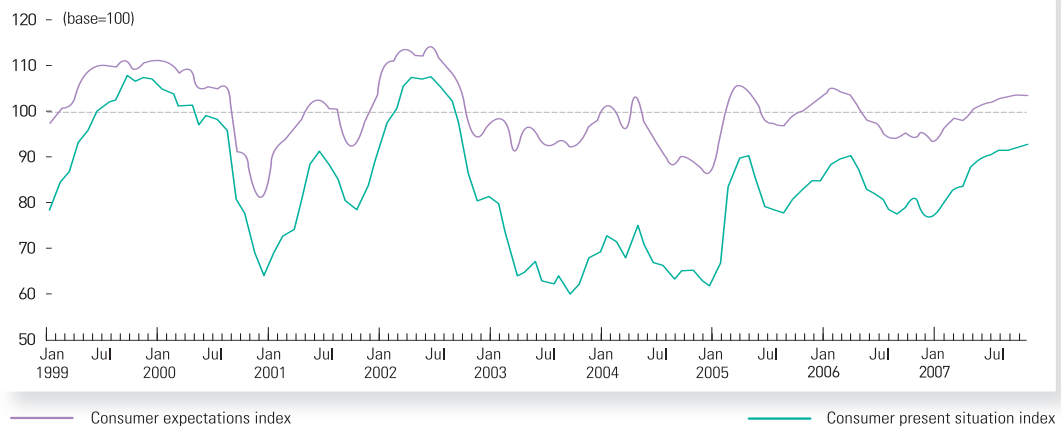
**2-5 Domestic automobile sales**

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



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

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



### 3. Facility investment

Facility investment growth in the third quarter of 2007 (*preliminary GDP*) stood at 1.6 percent, indicating that the growth during the course of period seems to be adjusted. It grew 1.6 percent year-on-year and fell 6.3 percent quarter-on-quarter.

(Percentage change from same period in previous year)

	2005		2006 <sup>1</sup>				2007 <sup>1</sup>			
	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	
Facility investment <sup>2</sup>	5.7	7.0	7.2	11.1	5.3	7.6	10.8	11.9	1.6	
(Seasonally adjusted) <sup>3</sup>	-	-1.0	2.2	3.8	0.1	-	4.4	3.4	-6.3	
- Machinery	7.4	3.3	9.5	12.4	6.5	7.9	12.8	10.9	-0.9	
- Transportation equipment	-1.8	25.9	-3.5	4.8	-0.2	5.9	2.2	17.7	14.4	

1. Preliminary 2. National accounts 3. Percentage change from previous period

Facility investment (*estimated index*) in October reversed its course from an 8.3 percent decrease to post 3.3 percent growth as the negative growth of machinery investment slowed down (-6.3% → -0.6%) while investment in transportation equipment surged 15.1 percent after decreasing 22.4 percent in the previous month. Domestic machinery shipments turned to upward direction as well, from a 14.5 percent decline to a 6.6 percent rise.

Leading indicators including domestic machinery orders (*current value*) and machinery imports have posted healthy growth. Despite the expanded decrease of public sector orders, the growth in domestic machinery orders in October enlarged to register 30.5 percent, up from 11.5 percent of the previous month, thanks to the sharp increase of orders in the private sectors.

(Percentage change from same period in previous year)

	2005		2006			2007				
	Annual	Annual	Oct	Q3	Q4	Q1	Q2	Q3 <sup>1</sup>	Sep <sup>1</sup>	Oct <sup>1</sup>
Estimated facility investment <sup>2</sup>	6.3	7.4	5.6	11.8	5.1	11.3	12.1	-1.9	-8.3	3.3
- Domestic machinery shipments	0.6	4.7	3.1	4.0	6.7	6.5	5.9	-1.8	-14.5	6.6
Domestic machinery orders	5.7	18.8	34.1	21.0	16.7	15.3	7.4	14.8	11.5	30.5
- Public	-1.3	7.1	114.9	19.0	22.1	12.1	-23.5	-15.2	-41.3	-74.5
- Private	6.7	20.4	20.7	21.3	15.8	15.6	10.5	18.8	20.9	61.6

1. Preliminary 2. Industrial activity

#### Machinery imports (%)

33.7 (May 2007) ↗ 24.9 (Jun) ↘ 6.3 (Jul) ↗ 18.2 (Aug) ↘ -9.2 (Sep) ↗ 36.5 (Oct) ↘ 24.5 (Nov 1~20)

The business survey index (BSI) for facility investment result and prospect in the manufacturing sector compiled by the Bank of Korea fluctuated slightly at the similar level to the previous month.

Business survey indexes (base=100)	2007					
	Jul	Aug	Sep	Oct	Nov	Dec
Manufacturing facility investment result	100	99	99	98	99	-
Manufacturing facility investment prospect	100	100	99	100	99	100

Source: The Bank of Korea

### 3-1 Facility investment by type

Source: The Bank of Korea (national accounts)



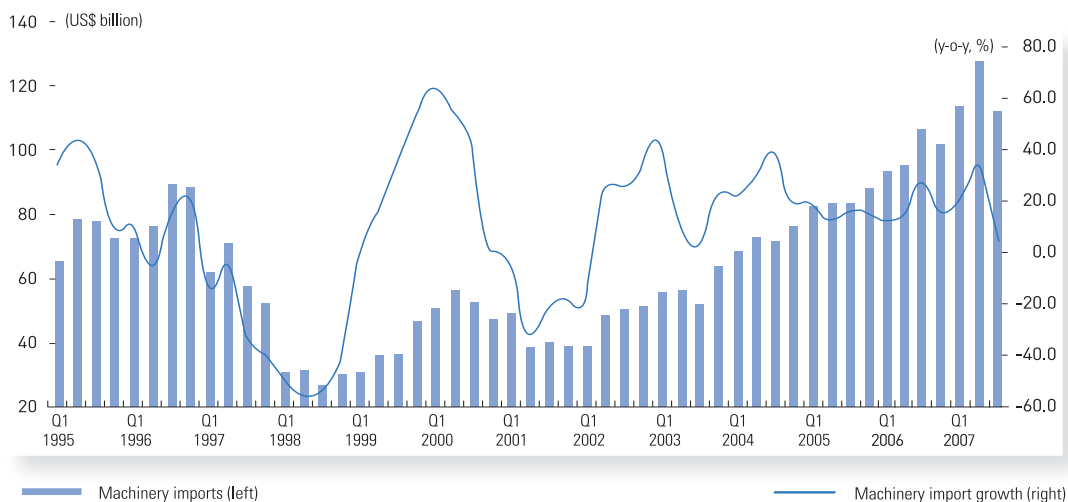
### 3-2 Machinery orders and estimated facility investment (3-month average)

Source: Korea National Statistical Office (industrial activity trend)



### 3-3 Machinery imports

Source: Korea International Trade Association (KITA)



## 4. Construction investment

Construction investment in the third quarter of 2007 (*preliminary GDP*) increased by modest 0.9 percent from a year earlier, or decreased by 0.5 percent from the previous quarter, showing slowdown in growth.

(Percentage change from same period in previous year)

	2005		2006 <sup>1</sup>				2007 <sup>1</sup>			
	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	
Construction investment <sup>2</sup>	-0.2	0.2	-5.0	-0.1	3.2	-0.4	3.9	3.2	0.9	
(Seasonally adjusted) <sup>3</sup>	-	0.0	-0.9	2.0	1.9	-	0.8	-1.3	-0.5	
- Building construction	-1.4	1.1	-5.9	-2.4	-0.2	-2.0	2.1	2.5	2.3	
- Civil engineering works	1.5	-1.4	-3.9	3.4	7.4	2.0	7.4	4.2	-1.0	

1. Preliminary 2. National accounts 3. Percentage change from previous period

The growth of construction completed (*current value*) turned to positive territory in October on the back of the private sector growth which reversed course to 11.8 percent from a 7.2 percent decrease as well as decelerated downward trend in public sector growth from negative 8.8 percent to negative 5.1 percent.

(Percentage change from same period in previous year)

	2005		2006			2007				
	Annual	Annual	Oct	Q3	Q4	Q1	Q2	Q3 <sup>1</sup>	Sep <sup>1</sup>	Oct <sup>1</sup>
Construction completed <sup>2</sup>	4.1	3.7	6.1	4.8	6.0	6.5	5.2	3.4	-7.2	7.8
- Public	-3.7	1.9	18.7	9.0	12.6	18.8	11.2	1.5	-8.8	-5.1
- Private	7.5	4.9	2.2	3.8	4.0	1.9	1.6	2.8	-7.2	11.8

1. Preliminary 2. Industrial activity

Construction orders in October sharply increased by 104.7 percent year-on-year on the back of significant growth pace in both public and private sectors due to concentrated supply of housings to avoid the application of housing price cap.

(Percentage change from same period in previous year)

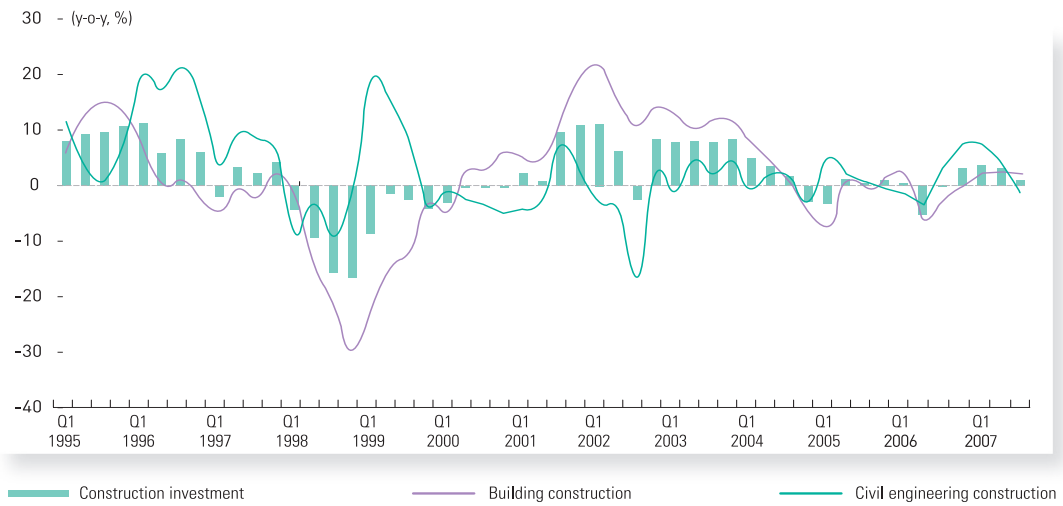
	2005		2006			2007				
	Annual	Annual	Oct	Q3	Q4	Q1	Q2	Q3 <sup>1</sup>	Sep <sup>1</sup>	Oct <sup>1</sup>
Construction orders <sup>2</sup>	7.3	9.0	-0.2	37.1	27.1	26.3	26.3	-5.6	-9.8	104.7
- Public	-1.7	-6.3	27.9	21.2	2.7	49.3	21.2	7.3	-32.3	104.2
- Private	14.5	12.8	-11.1	36.8	28.3	21.8	17.0	-12.9	-3.7	103.8

1. Preliminary 2. Current value basis

The construction sector is expected to maintain its course to post slight growth, derailing from the decreasing trend, due to the low comparison base set in the previous year. However, improvement in large scale seems unlikely.

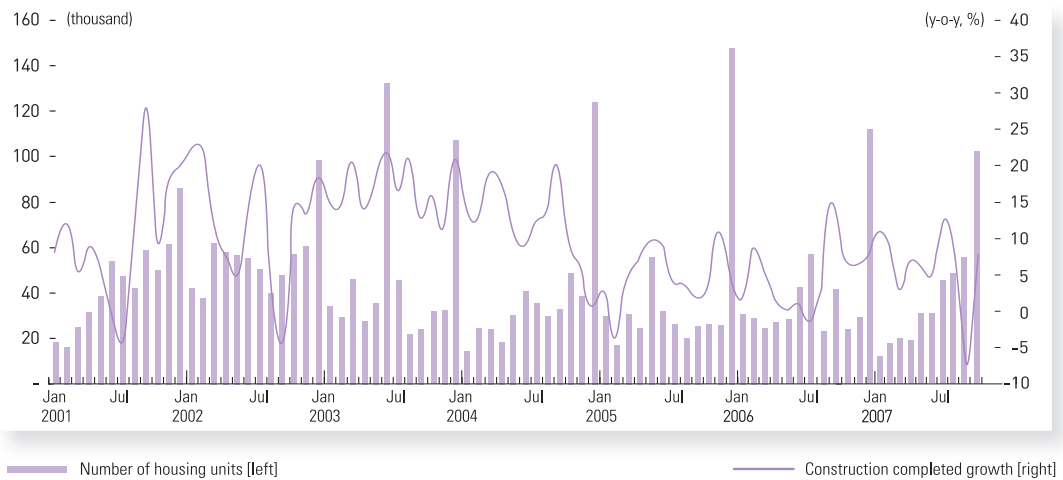
#### 4-1 Construction investment

Source: The Bank of Korea (national accounts)



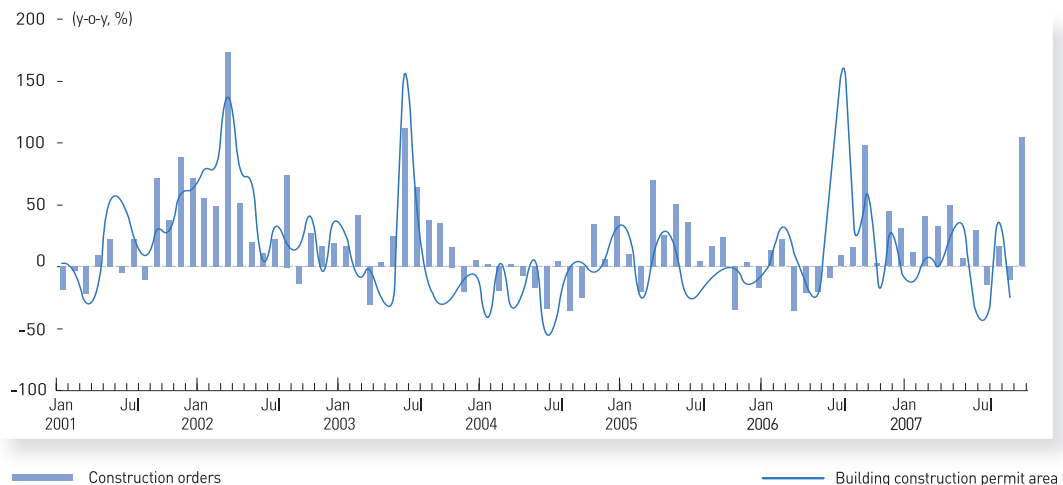
#### 4-2 Construction completed and housing construction

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



#### 4-3 Leading indicators of construction investment

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



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

Exports in November posted a monthly record high of US\$35.95 billion, increasing 17.5 percent from a year earlier thanks to the continued robust export of mainstay export items such as machinery and telecommunication equipment.

By export category (*estimated, Ministry of Commerce, Industry and Energy*), machinery (*up 43.3%*), wireless telecommunication equipment (*up 30.5%*) and shipbuilding (*up 22.8%*) showed a solid growth, while semiconductors (*down 11.4%*) witnessed a decrease.

(US\$ billion)

	2006				2007			
	Sep	Oct	Nov	Jan-Nov	Sep	Oct	Nov	Jan-Nov
Exports	29.65	28.02	30.60	296.69	29.34	34.50	35.95	338.70
(y-o-y, %)	20.9	10.5	18.5	14.6	-1.1	23.1	17.5	14.2
Average daily exports	1.26	1.37	1.85	1.18	1.50	1.44	1.50	1.35

November imports rose 26.5 percent from a year earlier to US\$33.85 billion, the monthly highest ever. Prices of raw materials, capital goods and consumer goods soared due to continued price hike of raw materials including oil and recovery of domestic demand.

### Raw materials (%)

9.4 (Jun 2007) ➔ 16.8 (Jul) ➔ 7.2 (Aug) ➔ 0.9 (Sep) ➔ 27.3 (Oct) ➔ 32.8 (Nov 1-20)

### Capital goods (%)

10.6 (Jun 2007) ➔ 8.9 (Jul) ➔ 12.5 (Aug) ➔ -5.3 (Sep) ➔ 26.0 (Oct) ➔ 23.6 (Nov 1-20)

### Consumer goods (%)

12.2 (Jun 2007) ➔ 23.8 (Jul) ➔ 16.5 (Aug) ➔ -2.5 (Sep) ➔ 34.6 (Oct) ➔ 15.6 (Nov 1-20)

(US\$ billion)

	2006				2007			
	Sep	Oct	Nov	Jan-Nov	Sep	Oct	Nov	Jan-Nov
Imports	27.64	25.62	26.77	281.86	27.10	32.61	33.84	322.54
(y-o-y, %)	21.6	13.2	12.2	18.9	-1.9	27.3	26.5	14.4
Average daily imports	1.18	1.25	1.25	1.12	1.36	1.36	1.41	1.28

Trade surplus in November increased to US\$2.1 billion, up US\$210 million from the previous month.

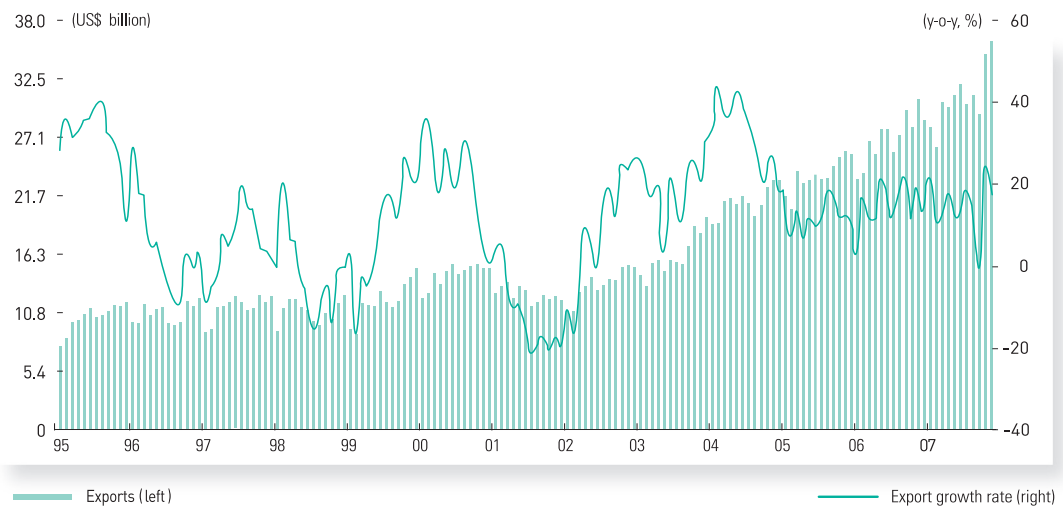
(US\$ billion)

	2006				2007			
	Aug	Sep	Oct	Jan-Oct	Aug	Sep	Oct	Jan-Oct
Trade balance	0.26	2.02	2.39	10.99	1.39	2.35	2.20	14.59

Exports are expected to maintain double digit growth in December for two consecutive months on the back of increased demand from emerging economies including China.

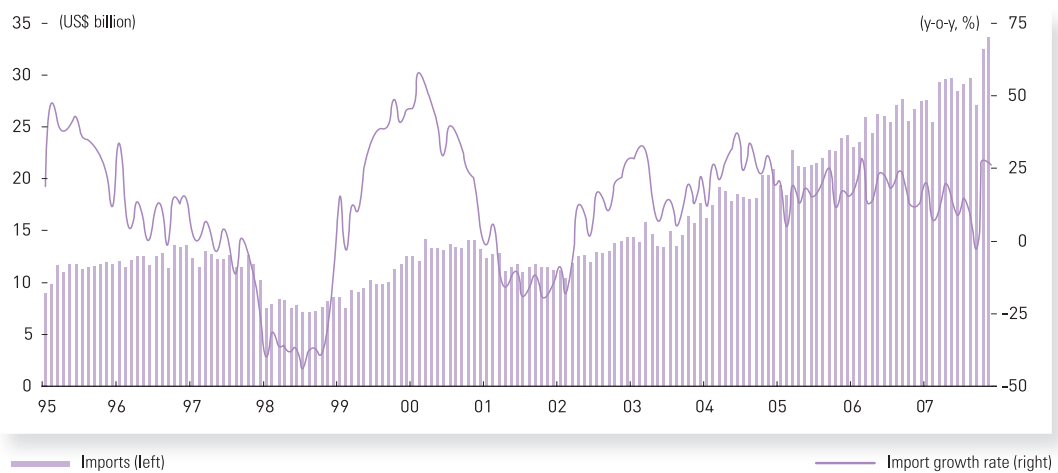
### 5-1 Exports (customs clearance basis)

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



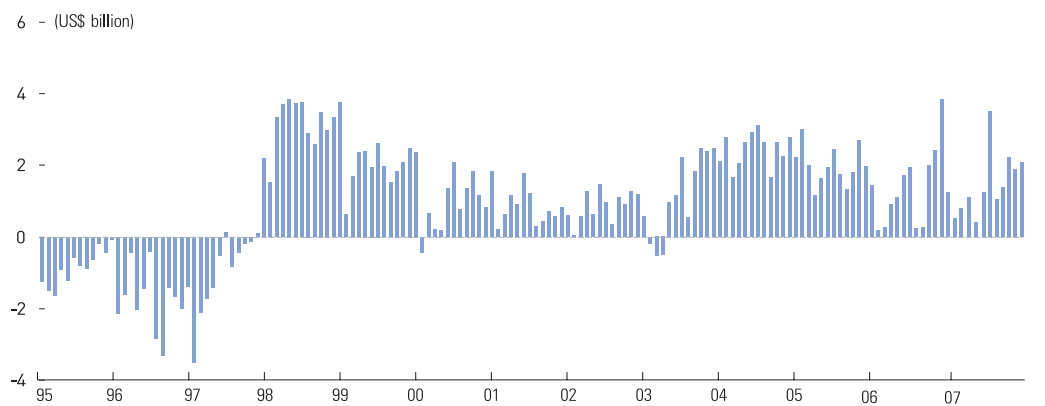
### 5-2 Imports (customs clearance basis)

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



### 5-3 Trade balance

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



## 6. Industrial activity

October industrial production significantly increased by 17.8 percent from a year earlier on the back of continued robust exports and domestic demand, and increased working days as *Chuseok* holidays fell in September this year instead of October.

The average industrial output of September and October, which excludes irregular factors such as the *Chuseok* holiday shift, increased by 9.1 percent year-on-year, continuing the upward growth trend.

By business category, output expansion in the semiconductor (*up 30.7%*), automobile (*up 24.5%*) and machinery (*up 16.2%*) propped up the increase of industrial production.

**Contribution to on-year industrial output growth** (Oct 2007, %p)  
Semiconductors (8.71), automobiles (2.24), machinery (1.09)

Shipments reversed to post a sharp increase of 16.4 percent from a 1.5 percent decrease of the previous month on the back of rising industrial production while inventory growth edged up from 4.1 percent in the previous month to 5.6 percent.

(Percentage change from same period in previous year)

	2006			2007			
	Annual	Q3	Oct	Q3 <sup>1</sup>	Aug	Sep <sup>1</sup>	Oct <sup>1</sup>
Production (q-o-q)	-	0.5	0.3	4.1	0.7	-0.2	3.0
(y-o-y)	10.1	11.3	5.5	8.3	11.2	0.3	17.8
(days operated factored in)	10.6	10.5	12.8	11.3	9.4	12.5	6.3
- Manufacturing	10.5	11.8	5.8	8.5	11.6	0.2	18.3
• Heavy chemical industry	12.6	13.9	8.3	10.9	13.9	2.8	19.8
• Light industry	1.1	2.4	-5.8	-3.4	0.1	-12.9	9.8
Shipment	7.8	9.2	2.9	7.0	8.7	-1.5	16.4
- Domestic demand	4.5	3.8	0.3	2.7	4.8	-7.7	12.5
- Exports	11.9	15.7	5.9	11.6	12.9	5.4	20.6
Inventory	6.2	6.5	7.3	4.1	5.7	4.1	5.6
Average operation ratio (%)	81.1	80.6	81.9	82.4	83.5	80.6	83.4
Production capacity	3.4	3.2	2.6	4.3	4.6	5.0	5.6

1. Preliminary

The growth pace of industrial production in November is forecast to slow down as irregular factors such as the shift of *Chuseok* holidays to September disappeared. However, it is expected to maintain trend growth rate thanks to increasing exports and domestic demand.



## 7. Service sector activity

Service activity in October grew 9.0 percent from a year earlier thanks to increased days of operation (*up 3 days*) due to the shift in *Chuseok* holidays from October last year to September this year. When seasonally adjusted, it increased by 1.4 percent from the previous month.

Even the average service output of September and October, which excludes irregular factors such as the *Chuseok* holiday shift, increased by 6.3 percent year-on-year, continuing the upward growth trend boosted by the recovery in domestic demand. By business category, financial & insurance services (*up 21.8%*), transportation services (*up 11.4%*) and business services (*up 8.6%*) continued to lead the growth. Wholesale & retail sales (*up 8.0%*) and hotels & restaurants (*up 5.2%*), which had been underperforming, also recorded substantial growth.

(Percentage change from same period in previous year)

	Weight	2006			2007						
		Annual	Q3	Q4	Q1	Q2	Q3 <sup>1</sup>	Aug	Sep <sup>1</sup>	Oct <sup>1</sup>	Contribution <sup>2</sup>
Service activity index	100	5.2	4.5	4.8	5.6	6.4	6.9	7.3	3.8	9.0	-
(Seasonally adjusted) <sup>3</sup>	-	-	0.7	2.8	1.1	1.7	2.0	0.1	-1.1	1.4	-
- Wholesale & retail	27.6	4.0	4.3	3.7	4.9	3.8	3.7	4.3	0.4	8.0	2.05
- Hotels & restaurants	7.7	2.1	2.3	-0.2	1.6	2.3	1.4	2.7	-1.9	5.2	0.35
- Transportation services	8.8	6.3	5.9	6.9	6.7	5.5	9.0	9.4	6.9	11.4	1.06
- Communication services	5.8	2.8	3.2	2.6	3.3	3.2	1.8	3.0	-0.7	7.9	0.55
- Financial & insurance services	17.6	7.9	4.9	4.8	9.1	15.6	18.2	19.5	12.3	21.8	4.12
- Real estate & renting	5.4	10.2	7.4	14.3	5.8	3.3	3.8	5.1	-1.2	-0.4	-0.02
- Business services	8.5	5.9	5.7	6.4	5.3	6.7	6.5	7.3	5.4	8.6	0.73
- Educational services	8.6	2.3	1.4	4.4	2.7	1.7	1.9	-3.6	3.7	-4.0	-0.34
- Healthcare & social welfare services	4.0	10.0	11.9	8.9	9.6	9.6	6.3	9.0	2.1	5.3	0.21
- Entertainment, cultural and sports services	3.5	2.5	-0.9	3.7	5.7	6.8	9.9	11.7	3.1	5.3	0.19
- Other public & personal services	2.6	3.8	3.9	2.5	1.9	1.2	1.4	2.1	-0.7	3.1	0.08

1. Preliminary

2. Contribution to October growth (%p)

3. Percentage change from previous period

Service activity in November is expected to have continued the upbeat trend as the domestic economy led by private consumption ran on an upward track. The growth pace, however, might have slowed to some degree affected by the high comparison base set last year, and other deteriorated conditions at home and abroad such as higher oil prices, US-centered financial market turmoil and the increase in market interest rates.

**KOSPI** (monthly average)

1,615 (May 2007) → 1,754 (Jun) → 1,912 (Jul) → 1,815 (Aug) → 1,879 (Sep) → 2,005 (Oct) → 1,925 (Nov)

**Stock trading value** (trillion won)

146 (May 2007) → 197 (Jun) → 205 (Jul) → 140 (Aug) → 133 (Sep) → 231 (Oct) → 178 (Nov)

**Oil prices** (Dubai crude, US\$/barrel)

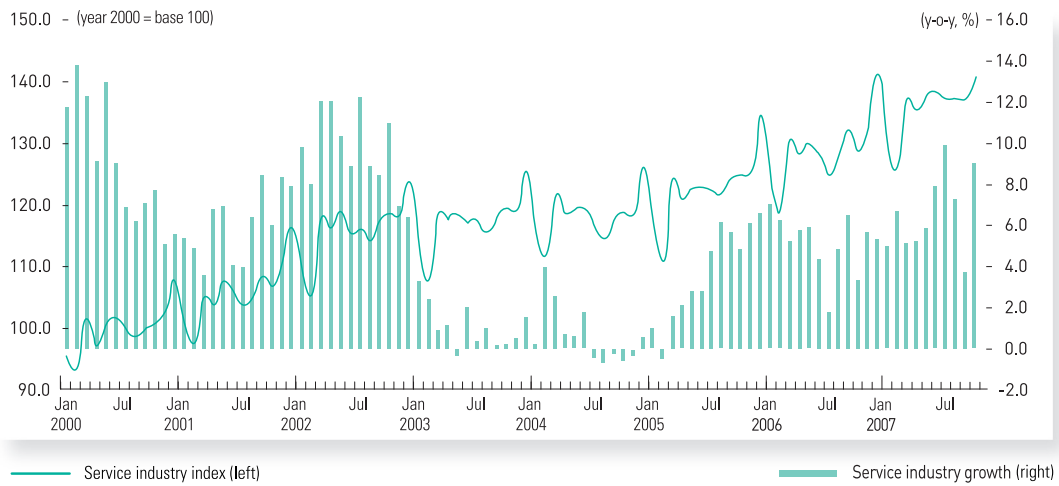
64.7 (May 2007) → 65.9 (Jun) → 69.7 (Jul) → 67.4 (Aug) → 73.3 (Sep) → 77.2 (Oct) → 86.9 (Nov)

**Certificate of deposit (CD) rates** (%)

5.04 (May 2007) → 5.03 (Jun) → 5.05 (Jul) → 5.21 (Aug) → 5.34 (Sep) → 5.34 (Oct) → 5.41 (Nov)

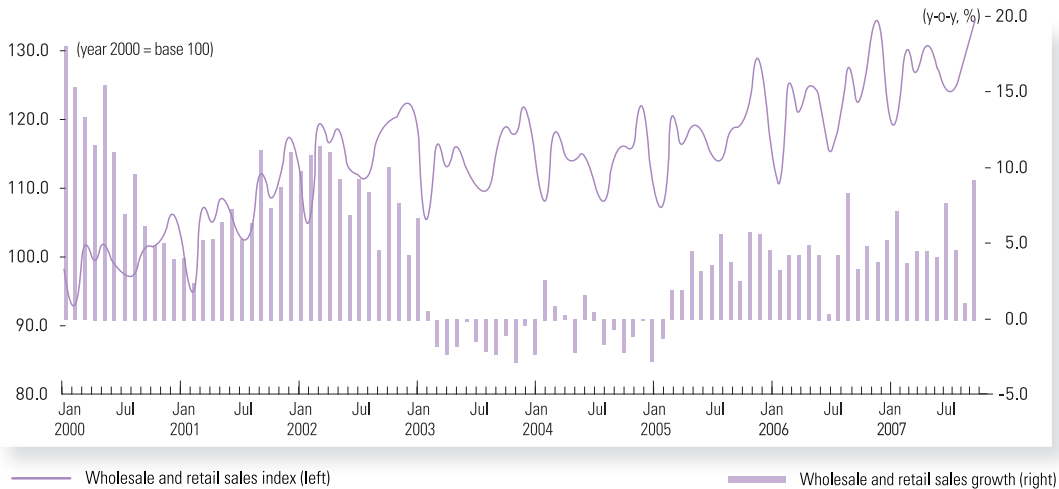
### 7-1 Service industry

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



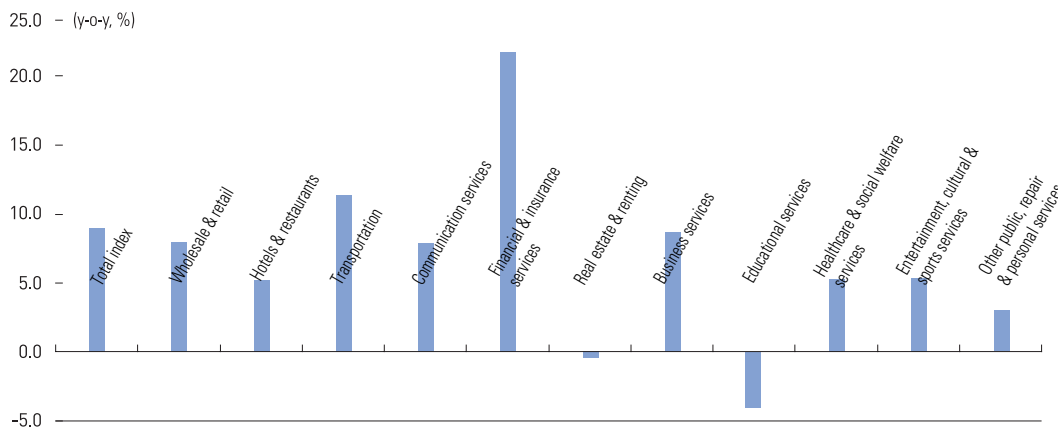
### 7-2 Wholesale and retail sales

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



### 7-3 Oct 2007 service industry by business

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



## 8. Employment

The number of workers on payroll in October increased by 287,000 year-on-year to post 23,750,000 as economic upward trend continued.

The service sector, led by the business service, sustained rapid employment growth (*up 404,000*) owing to the strong service sector activity.

Employment in the manufacturing sector in October slightly eased its downward pace to 40,000, reflecting robust industrial activity and exports.

Hiring in the construction sector posted negative growth for three consecutive months with a decrease of 9,000 due to a recent slump in construction completed.

Employment in agriculture, forestry and fisheries continued to fall (*down 68,000*) affected by the ongoing restructuring process.

The quality of employment continued to improve as the number of waged workers (*up 441,000*), among which regular workers (*up 435,000*) in particular, continued to surge. Meanwhile, the number of non-waged workers including self-employed small business owners (*down 70,000*) and family members without pay (*down 85,000*) decreased.

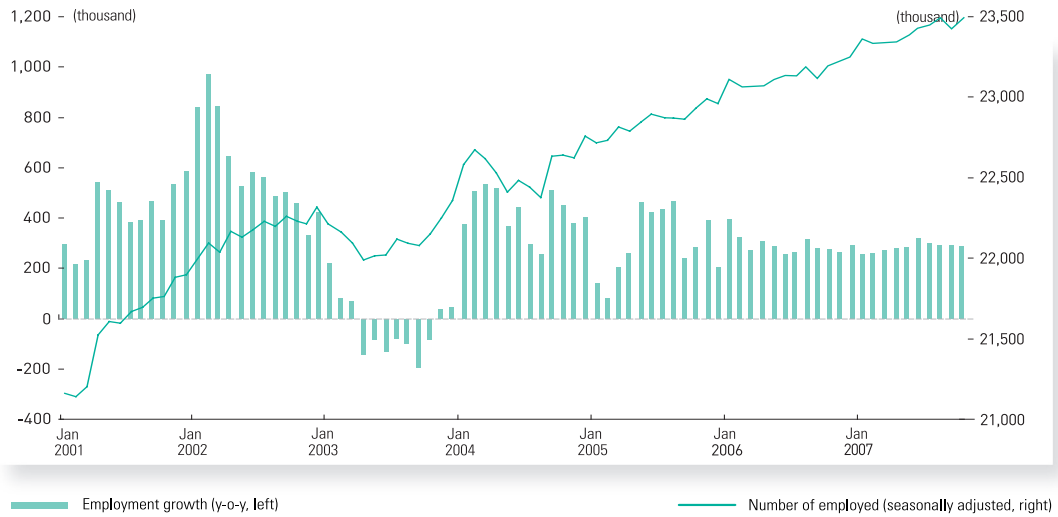
The employment rate continued to increase in October to 60.4 percent, which was the same as a year earlier. The unemployment rate maintained a downward trend falling 0.3 percentage point from a year earlier to 3.0 percent while the youth unemployment rate dropped 1.5 percentage points to 6.5 percent from the same month of the previous year.

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

	2006			2007						
	Oct	Annual	Q4	Q1	Q2	Q3	Jul	Aug	Sep	Oct
Employment growth	278	295	278	264	289	296	303	293	292	287
- Agriculture, forestry and fishery	6	-31	4	-42	-52	-72	-80	-71	-64	-68
- Manufacturing	-58	-67	-62	-51	-55	-62	-53	-62	-34	-40
- Construction	23	21	29	46	30	-14	4	-14	-7	-9
- Services	305	371	304	309	367	439	433	439	398	404
Unemployment rate (%)	3.3	3.5	3.2	3.6	3.2	3.1	3.2	3.1	3.0	3.0
Employment rate (%)	60.4	59.7	59.9	58.6	60.6	60.2	60.6	59.8	60.2	60.4

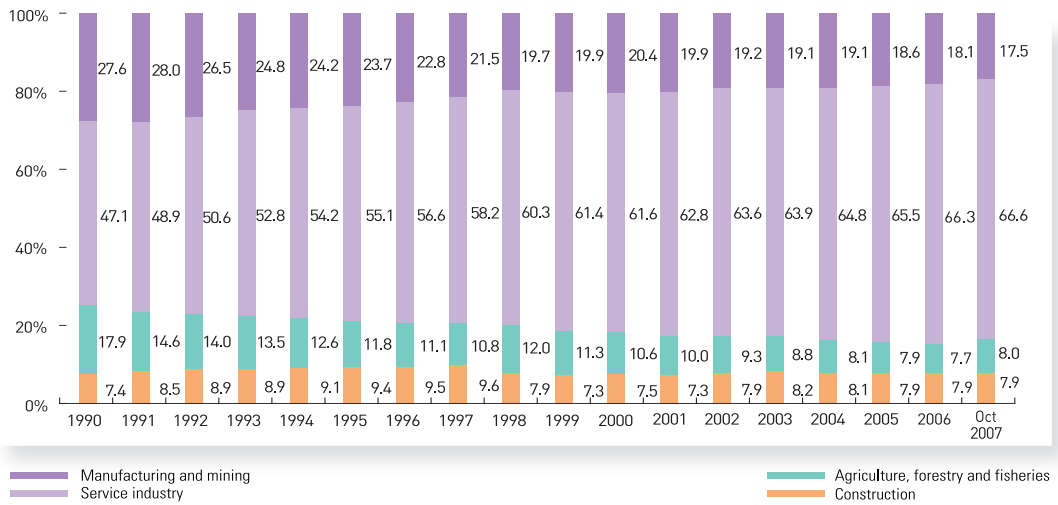
### 8-1 Number of employed and employment growth

Source: Korea National Statistical Office (employment trend)



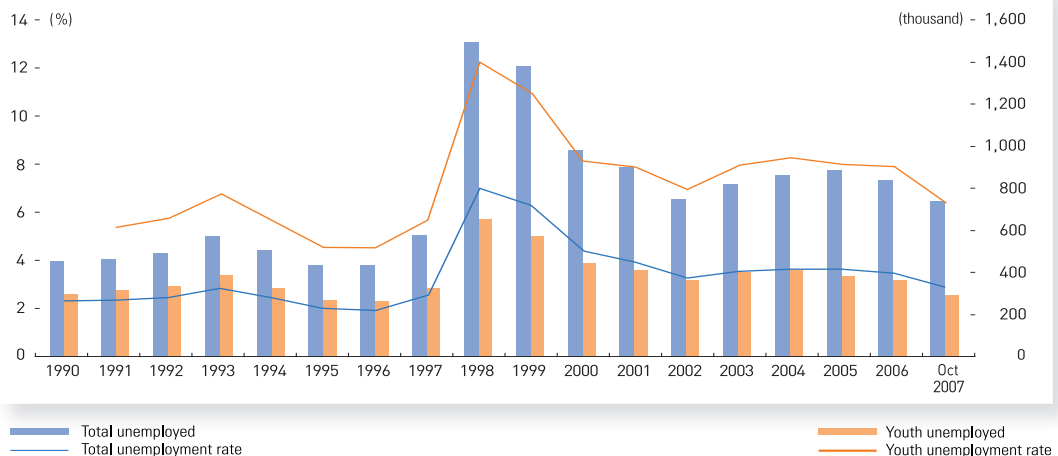
### 8-2 Share of employed by industry

Source: Korea National Statistical Office (employment trend)



### 8-3 Unemployment rate and number of unemployed

Source: Korea National Statistical Office (employment trend)



## 9. Financial markets

### 9.1 Stock market

The Korean stock market in November was highly fluctuating as investor sentiment weakened amid concerns over the unstable financial markets and the possible recession in the US as well as the overall bearish trend in Asian stock markets including China.

The KOSPI once dipped down to 1,772.9 points in November 23 as foreign investors accelerated net selling affected by higher international oil prices and unstable overseas stock markets. It, however, rebounded to 1,900 points level closing the month at 1,906.0 points as the global stock markets regained stability with the US shares rebounding on the expectation of a further interest rate cut.

By investor type, the amount of net selling by foreign investors, which decelerated to 0.8 trillion won in October, expanded again in November recording 6.7 trillion won. Meanwhile, institutional investors made a net purchase of 3.4 trillion won backed by money influx into equity funds which exceeded 60 trillion won in November, and individual investors were also net buyers of 1.6 trillion won worth of Korean shares.

*(End-period, point, trillion won)*

	KOSPI			KOSDAQ		
	2006	Nov 2007	Change <sup>1</sup>	2006	Nov 2007	Change <sup>1</sup>
Stock price index	1,434.5	1,906.0	471.5 (+32.9%)	606.2	741.8	135.6 (+22.4%)
Market capitalization	704.6	953.8	249.2 (+35.4%)	72.1	103.8	31.7 (+44.0%)
Average daily trade value	3.4	5.6	2.2 (+64.7%)	1.7	2.1	0.4 (+23.5%)

*1. Change from the end of previous year*

### 9.2 Exchange rate

The won/dollar exchange rate in November rose to the 920 won range affected by the global credit crunch and increased demand for safer assets stemmed from the US subprime mortgage crisis as well as net selling by foreign investors in the domestic stock markets.

As credit risks in the global financial markets spread and foreign investors' net selling position continued, it rebounded to reach the 933 won range on November 22. After mid November, however, the exchange rate declined to close the month at the 921 won range with a correction after its short-term surge and selling of dollars by domestic exporters.

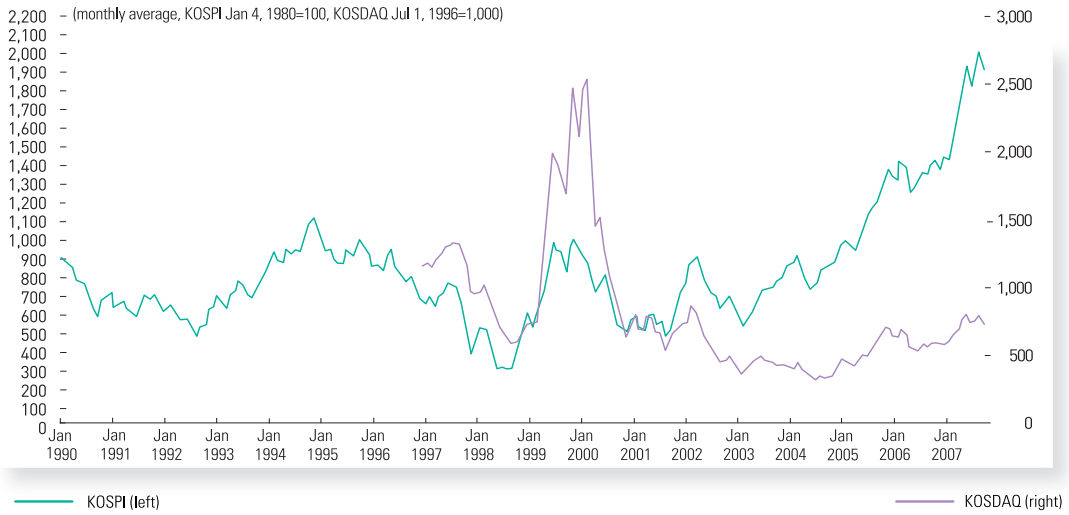
The won/yen exchange rate surged to the 830 won range per 100 yen as the possibility of the yen carry trade unwinding heightened and the yen gained strength.

*(End-period)*

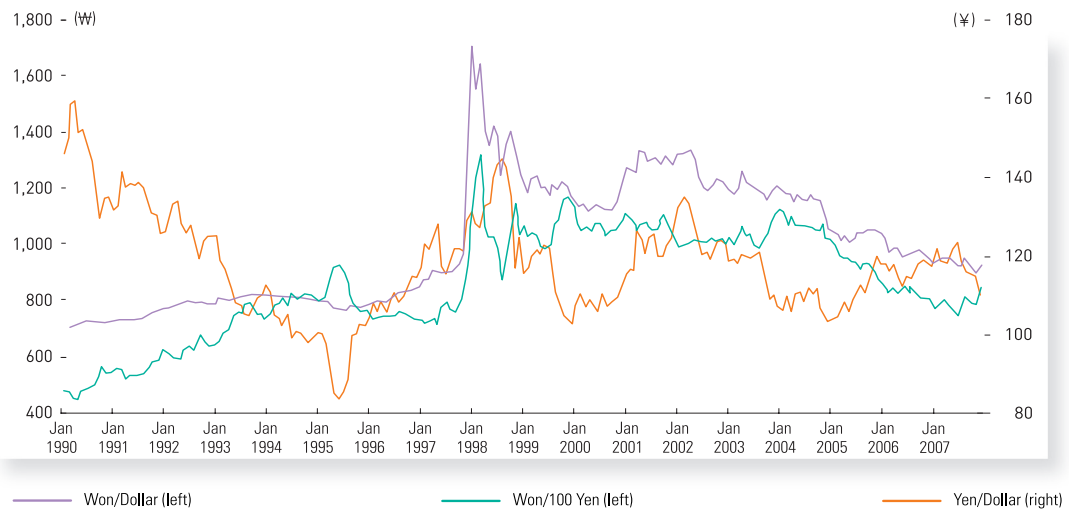
	2005	2006	2007				Change <sup>1</sup>
	Dec	Dec	Aug	Sep	Oct	Nov	
Won/Dollar	1,011.6	929.8	938.3	915.1	900.7	921.1	0.9
Yen/Dollar	117.8	118.7	116.2	115.1	114.7	110.3	7.6

*1. Appreciation from the end of previous year (%); the exchange rate is based on closing price at 3:00 p.m.*

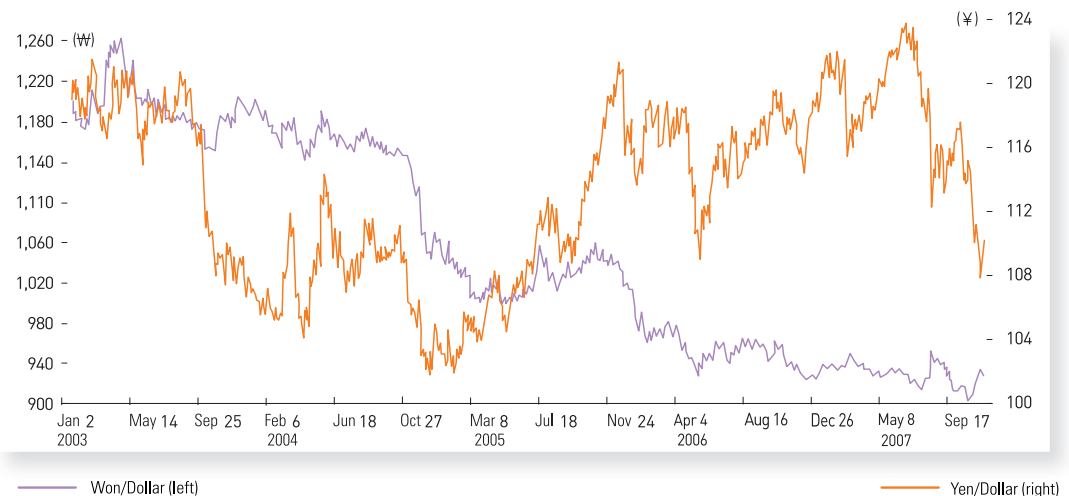
### 9-1 Stock prices



### 9-2 Foreign exchange rate (month-end)



### 9-3 Recent foreign exchange rate



## 9.3 Bond market

Bond yields such as Treasury bond yields rose in November due to more net selling by foreign investors. In early November, bonds yields were down as demand for safer assets increased amid credit crunch concerns related to the US financial market unrest, and fall in global as well as domestic stock markets. After the middle of the month, the yields jumped driven by more issuances of CDs and bonds by banks, the net selling of the Korean Treasury futures by foreigners and increased bond sales at a discount incurred by the deteriorated imbalance in swap markets. However, the yields later fell back as the Bank of Korea bought 1.2 trillion won of government bonds at the end of the month.

Yields on 3-month CDs, which are short-term interest rates, rose sharply mainly due to increased issuances.

*(End-period)*

	2004	2005	2006	2007					Change <sup>1</sup>
	Dec	Dec	Dec	Jul	Aug	Sep	Oct	Nov	
Call rate (1 day)	3.29	3.76	4.60	4.76	4.98	4.98	5.01	5.02	+42
CD (91 days)	3.43	4.09	4.86	5.10	5.29	5.35	5.35	5.60	+74
Treasury bonds (3 yrs)	3.28	5.08	4.92	5.22	5.43	5.46	5.43	5.77	+85
Corporate bonds (3 yrs)	3.72	5.52	5.29	5.64	5.85	5.97	6.02	6.47	+118
Treasury bonds (5 yrs)	3.39	5.36	5.00	5.28	5.47	5.52	5.49	5.84	+84

1. Basis point change from end December 2006

## 9.4 Money supply & money market

The M2 growth in October decreased as the overseas sector shifted to money redemption and the government sector continued to soak up money with increased corporate tax and VAT payments by the private sector. The negative M1 growth also accelerated as instant access accounts declined affected by corporate tax payments while money supplied ahead of *Chuseok* holidays was withdrawn.

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

	2006					2007					2007
	Annual	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Sep	Oct <sup>1</sup>	Sep <sup>2</sup>
M1 <sup>3</sup>	-0.8	-0.6	-2.8	-5.5	5.9	6.1	-6.7	-8.6	-8.7	Around -11	299.0
M2	8.3	7.0	7.2	8.1	10.9	11.5	11.0	11.1	11.0	Mid 10	1,219.3
Lf <sup>4</sup>	7.9	7.2	7.4	7.5	9.2	10.0	10.2	10.2	10.3 <sup>5</sup>	Around 10	1,632.2

1. Estimate 2. Amount, trillion won

3. Excludes corporate MMF and individual MMF from November 21, 2005 and March 22, 2007, respectively, as they are redeemable on and after the next business day following the transaction date from those periods each.

4. Liquidity aggregates of financial institutions (mostly identical with M3) 5. Preliminary

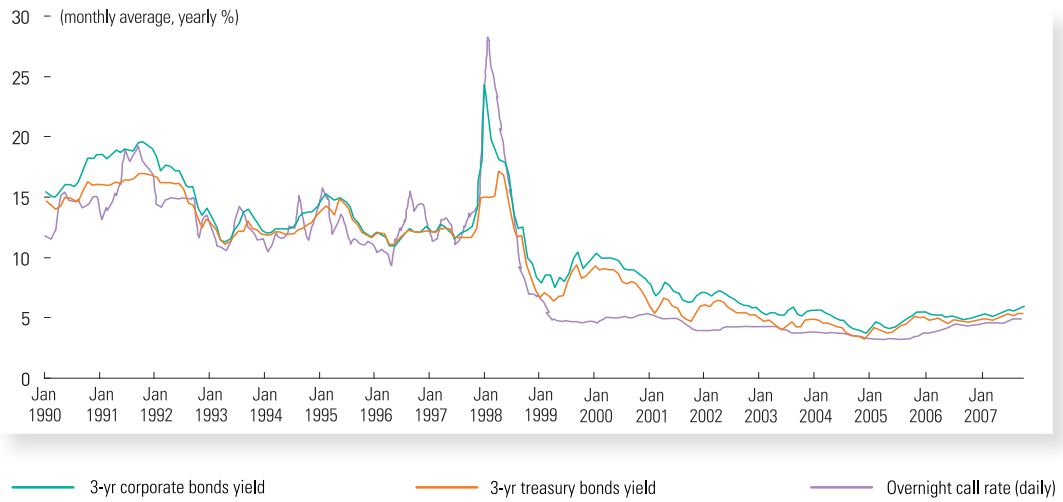
In October, bank deposits accelerated growth as CDs (*up 3.2 trillion won*) and bank bonds (*up 2.9 trillion won*) continued to be issued to make up for the shortage in funds amid weak savings and increased loan demand. Growth in asset management company (AMC) receipts expanded considerably as money market funds (MMFs) reversed course to an increase and equity and hybrid funds soared 10.6 trillion won and 3.5 trillion won, respectively.

*(Monthly change, end-period, trillion won)*

	2006	2007									
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Bank deposits	23.3	-5.5	6.2	10.9	2.0	6.9	13.3	-8.3	4.3	6.5	7.6
AMC receipts	-0.8	3.4	0.4	3.4	-4.8	7.6	13.6	3.9	4.0	3.3	13.0

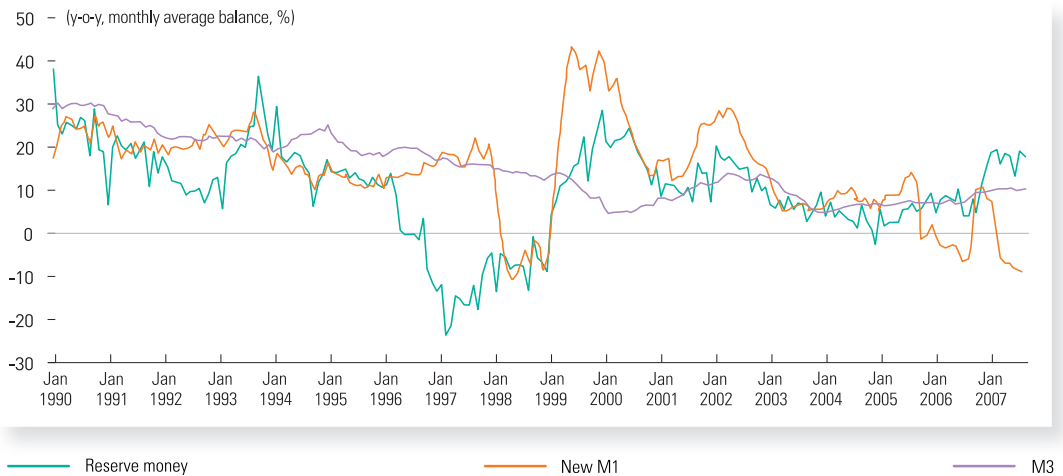
### 9-4 Interest rates

Source: The Bank of Korea



### 9-5 Total money supply

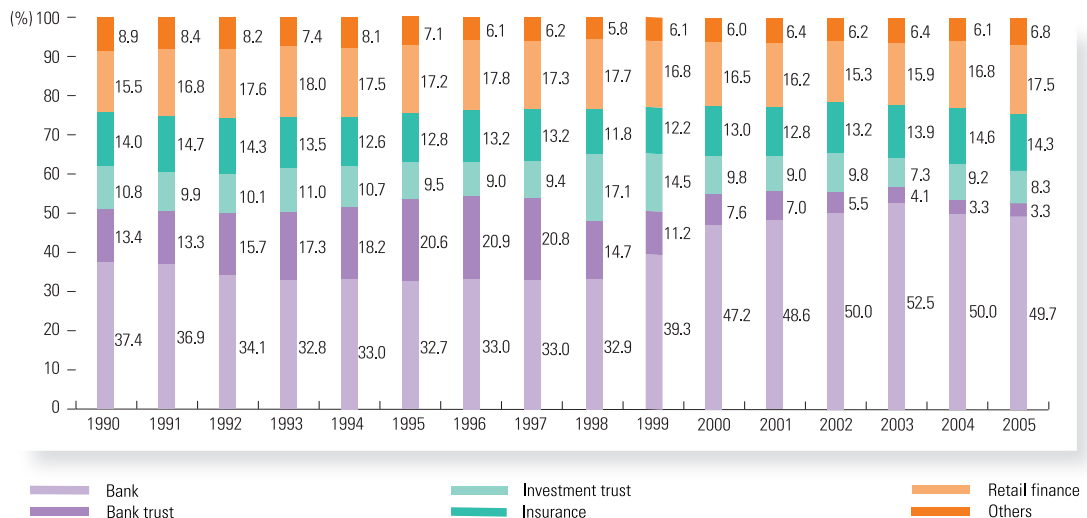
Source: The Bank of Korea



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

Source: The Bank of Korea

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



## 10. Balance of payments

Korea's current account surplus in October increased US\$260 million month-on-month to US\$2.56 billion. The accumulated current account during the first ten months of the year recorded a surplus of US\$5.36 billion.

The goods account surplus in October recorded US\$3.74 billion, a similar level to US\$3.73 billion of the previous month, as the volume of adjustment for time difference between customs clearance and the hand-over of exported ships increased sharply from US\$310 million to US\$990 million although the export-import gap on customs clearance basis decreased from US\$2.24 billion to US\$1.89 billion.

The service account deficit narrowed by US\$330 million to US\$1.42 billion from US\$1.75 billion a month earlier mainly as payments for patent rights fell while the travel account remained nearly unchanged from the previous month.

The income account surplus in October declined from the previous month's US\$690 million to US\$500 million as overseas dividend income decreased.

The seasonally adjusted current account recorded US\$1.14 billion, lower than the original series, as the goods account surplus fell and the service account deficit rose with the adjustment process.

*(US\$ billion)*

	2006				2007			
	Aug	Sep	Oct	Jan-Oct	Aug	Sep	Oct	Jan-Oct
Current account	-0.64	1.41	1.76	1.71	0.57	2.30	2.56	5.36
- Goods balance	1.44	3.17	2.69	21.55	2.91	3.73	3.74	26.42
- Service balance	-2.09	-1.55	-1.19	-15.45	-2.45	-1.75	-1.42	-17.88
- Income balance	0.31	0.25	0.46	-1.06	0.44	0.69	0.50	-0.07

The capital and financial account balance realized a net outflow of US\$1.91 billion in October as the direct investment account posted a deficit of US\$4.44 billion due to accelerated overseas investments by domestic investors, although the other investment accounts saw a new inflow of US\$2.54 billion driven by an increase in overseas borrowing by domestic banks.

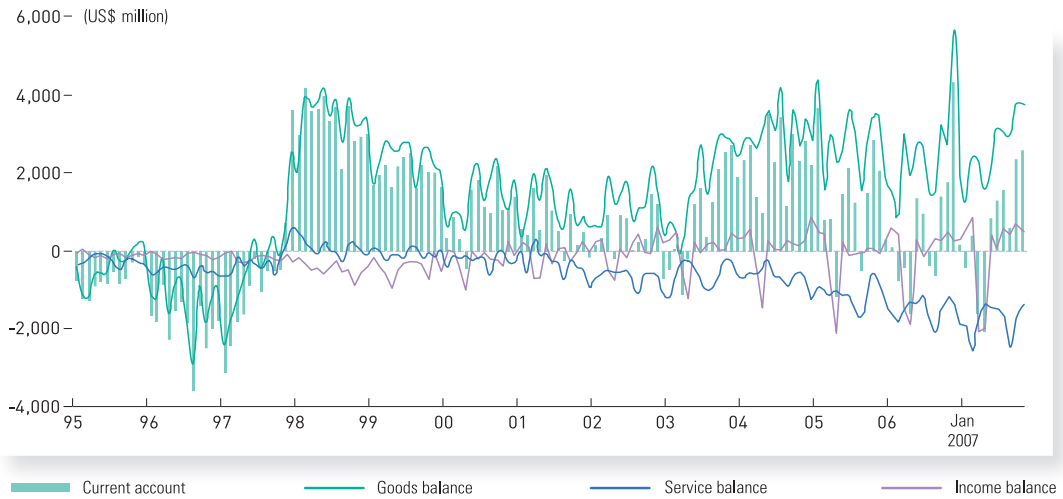
### Capital & financial account balance (US\$ billion)

3.60 (May 2007) ↻ -1.36 (Jun) ↻ 0.54 (Jul) ↻ -0.30 (Aug) ↻ -3.56 (Sep) ↻ -1.91 (Oct)

The current account in November is expected to have maintained its surplus trend backed by expanded export-import gap on customs clearance basis from US\$1.89 billion in October to US\$2.10 billion in November.

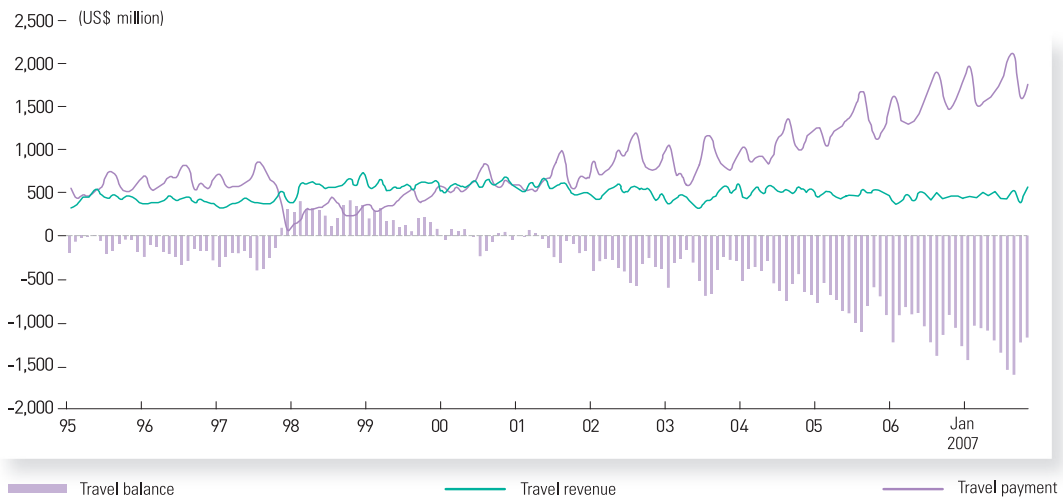
### 10-1 Current account balance

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



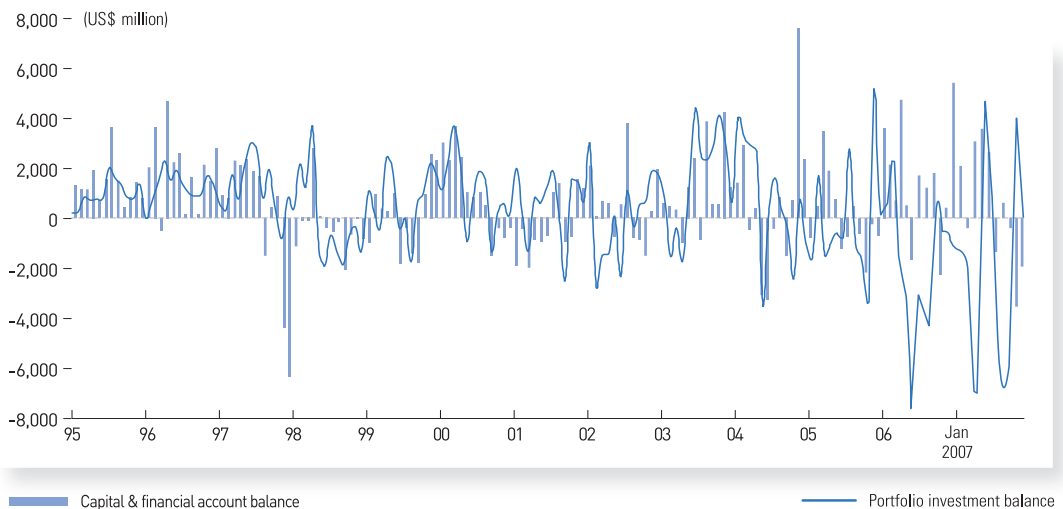
### 10-2 Travel balance

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



### 10-3 Capital & financial account balance

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



## 11. Prices and international commodity prices

### 11.1 Prices

Consumer prices in November remained unchanged from a month earlier, and rose 3.5 percent from a year earlier due mainly to higher oil product prices and a relative comparison to the low base set last year.

#### Consumer price inflation

	2006		2007					
	Nov	May	Jun	Jul	Aug	Sep	Oct	Nov
Month-on-Month (%)	-0.5	0.1	0.0	0.4	0.1	0.6	0.2	0.0
Year-on-Year (%)	2.1	2.3	2.5	2.5	2.0	2.3	3.0	3.5

Prices of agricultural, livestock and fishery products usually fall in November with the autumn harvest. The decrease in prices, however, was relatively modest this November as the total output reduced. Prices of vegetables such as Chinese cabbage and radish remained high affected by the rainy season from August to September and decreased shipments.

#### Estimated gross output (million ton)

Chinese cabbage: 1.08 (-11.7)\*, radish: 0.44 (-34.4)\*

\* The figures in parentheses represent a percentage change from the previous five-year average.

#### Retail prices (won/unit)

Chinese cabbage: 1,207 (Nov 2006) ↻ 1,419 (Jun 2007) ↻ 3,156 (Sep) ↻ 3,451 (Oct) ↻ 2,934 (Nov)

Radish: 716 (Nov 2006) ↻ 989 (Jun 2007) ↻ 1,553 (Sep) ↻ 1,747 (Oct) ↻ 1,645 (Nov)

Source: Korea Agro-Fisheries Trade Corporation

The price of oil products climbed considerably fueled by higher international oil prices and a relative comparison to the low base set in November last year when the price decreased 2.1 percent month-on-month and 2.3 percent year-on-year. Public utility charges rose as city gas fees and local heating costs, which are linked to fuel price changes, increased 2.5 percent and 7.3 percent, respectively. Housing rents are reflecting increased rents for deposit basis and monthly basis in the previous year with time lag.

#### Consumer price inflation in major sectors

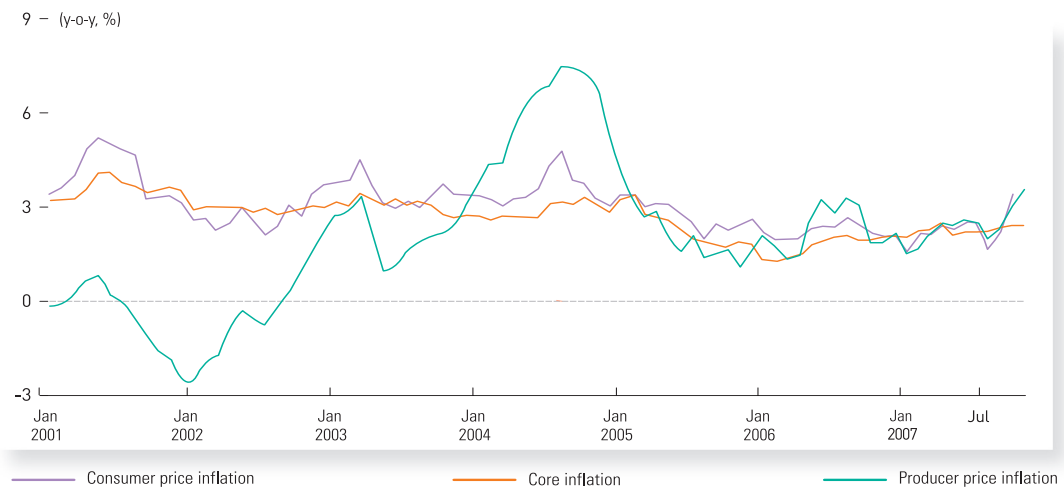
	Total	Agricultural, livestock & fishery products	Industrial products	Oil products	Public utility	Housing Rents	Personal services
Month-on-Month (%)	0.0	-4.3	1.0	4.1	0.4	0.3	0.0
(Contribution ratio, %p)	-	(-0.38)	(0.32)	(0.23)	(0.06)	(0.03)	(0.00)
Year-on-Year (%)	3.5	4.5	4.1	14.1	3.4	1.9	3.2
(Contribution ratio, %p)	-	(0.38)	(1.26)	(0.76)	(0.57)	(0.18)	(1.11)

Core inflation, which excludes prices of oil products and farm produce, was up 2.4 percent from a year earlier. Consumer prices for basic necessities, a barometer of perceived consumer prices, rose 4.9 percent year-on-year.

Consumer prices in December are forecasted to maintain the 3 percent level year-on-year due to high international oil prices and relatively low comparison base set a year earlier when it increased by 2.1 percent.

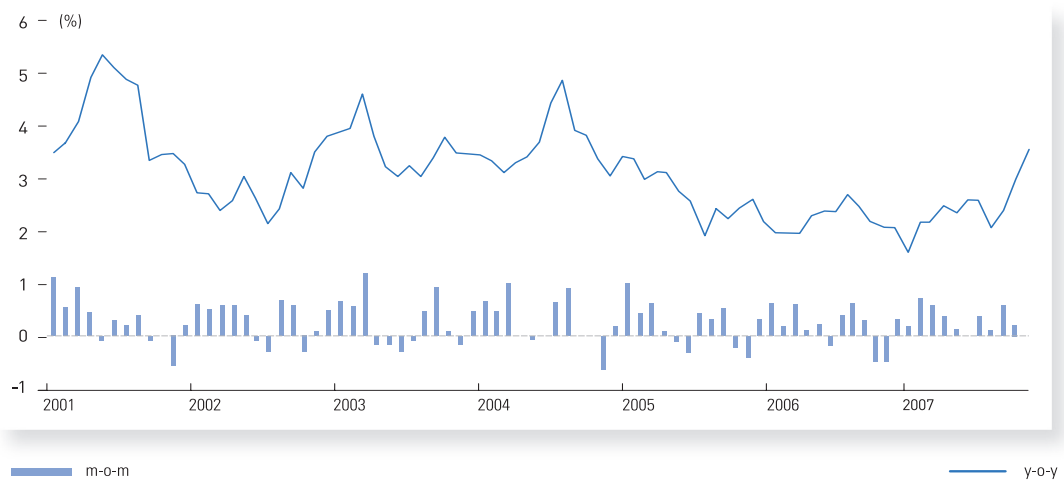
### 11-1 Prices

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



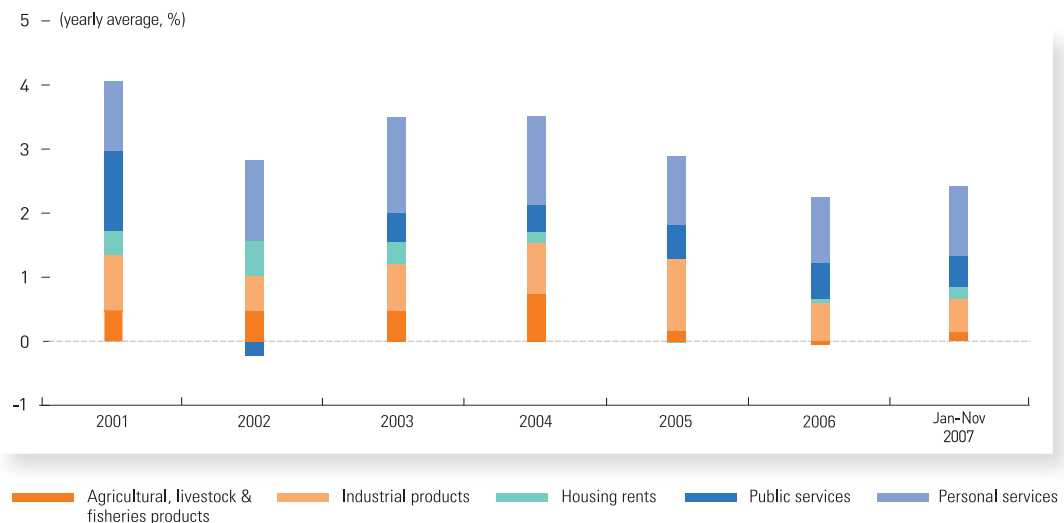
### 11-2 Consumer price inflation

Source: Korea National Statistical Office (consumer price trend)



### 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 surged from the previous month in November due mainly to decreased oil inventory in the US and the effect of dollar weakness.

International oil prices in December are most likely to be influenced by the outcome of OPEC's general meeting that decides the level of oil output, US weather conditions during the winter months, and the US level of oil inventory.

(US\$/barrel, period average)

	2005	2006	2007					
	Annual	Annual	Jun	Jul	Aug	Sep	Oct	Nov
Dubai crude	49.4	61.6	65.9	69.7	67.4	73.3	77.2	86.9
Brent crude	54.3	65.1	71.8	77.5	71.2	77.5	82.8	92.9
WTI crude	56.5	66.0	67.5	74.1	72.4	80.0	85.9	94.7

### Record high oil prices (spot prices, US\$/barrel)

Dubai crude (90.1), Brent crude (95.7), WTI crude (98.5)

The price of oil products such as gasoline in the domestic market continued to rise reaching a new high, as international oil product prices increased in line with higher international oil prices.

(Won/liter, period average)

	2005	2006	2007					
	Annual	Annual	Jun	Jul	Aug	Sep	Oct	Nov
Gasoline prices	1,365	1,543	1,551	1,551	1,549	1,539	1,557	1,606
Diesel prices	1,080	1,295	1,249	1,256	1,290	1,294	1,340	1,404

Source: Korea National Oil Corporation

As for international commodity prices, the price of non-ferrous metals stabilized while the price of grain stayed on the upward track.

The prices of most non-ferrous metals decreased as inventory increased due to a slowed demand growth in China. Prices of tin, however, continued to rise as output decline is likely in Indonesia.

With regard to grain, prices of corn and soybeans rose affected by expected increase in bio-fuel demand, while wheat prices were down.

### Price increases in Nov 2007 (m-o-m, %)

Soybean (9.1), corn (8.4), tin (4.1), aluminum (2.6)

### Price decreases in Nov 2007 (m-o-m, %)

Bronze (-11.9), zinc (-14.2), lead (-9.3), wheat (-6.2), nickel (-1.8)

### Reuters index\*

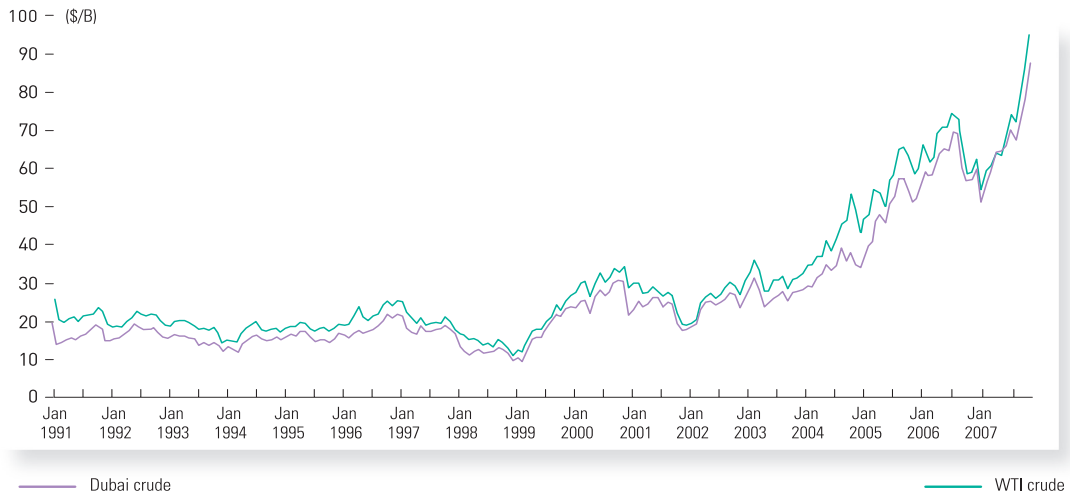
(Period average)

2005	2006	2007					
Annual	Annual	Jun	Jul	Aug	Sep	Oct	Nov
1,680	2,019	2,374	2,449	2,486	2,580	2,522	2,472

\* A weighted average index of 17 major commodities

### 11-4 International oil prices

Source: Korea National Oil Corporation



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

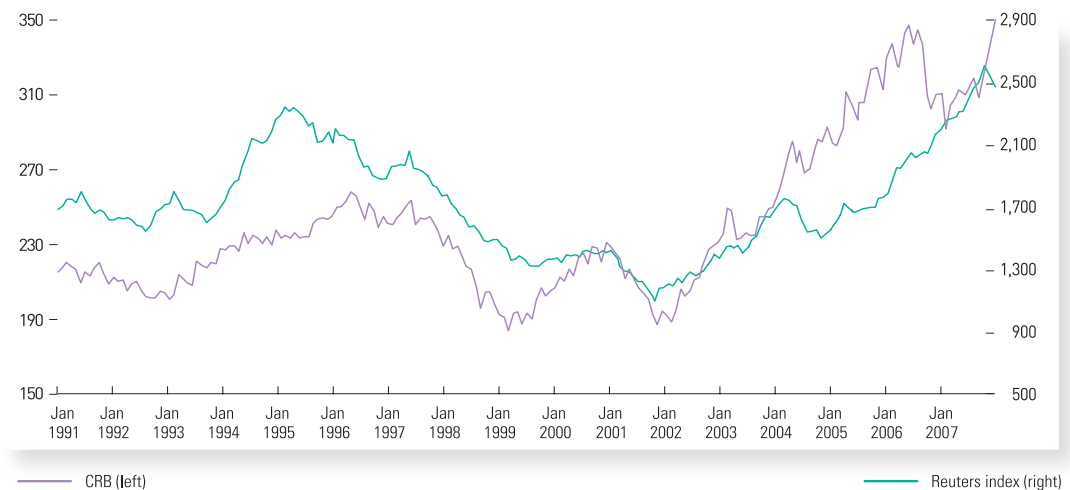
Source: Korea National Oil Corporation & Korea Customs Service



### 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 November remained relatively flat.

#### Nationwide apartment sales prices

(Percentage change from previous period)

	2004	2005	2006	2007									
	Annual	Annual	Annual	Jun	Jul	Aug	Sep	Oct	Nov	Nov 5 <sup>1</sup>	Nov 12 <sup>1</sup>	Nov 19 <sup>1</sup>	Nov 26 <sup>1</sup>
Nationwide	-0.6	5.9	13.8	0.1	0.2	0.1	0.1	0.2	0.2	0.00	0.02	0.01	0.01
Seoul	-1.0	9.1	24.1	0.1	0.3	0.2	0.2	0.3	0.3	0.03	0.02	0.01	0.02
Gangnam <sup>2</sup>	-1.3	13.5	27.6	-0.1	0.1	0.1	0.1	0.0	0.0	-0.00	-0.02	-0.03	-0.01
Gyeonggi	-3.7	7.6	28.4	0.0	0.2	0.2	0.2	0.2	0.1	0.00	0.05	0.04	-0.00

1. Weekly trends

2. Upscale area of southern Seoul

Source: Kookmin Bank

Average of apartment rental prices edged down.

#### Nationwide apartment rental prices

(Percentage change from previous period)

	2004	2005	2006	2007									
	Annual	Annual	Annual	Jun	Jul	Aug	Sep	Oct	Nov	Nov 5 <sup>1</sup>	Nov 12 <sup>1</sup>	Nov 19 <sup>1</sup>	Nov 26 <sup>1</sup>
Nationwide	-2.7	5.7	7.6	-0.1	0.0	0.1	0.2	0.1	0.0	0.01	-0.01	0.01	0.01
Seoul	-4.4	6.2	11.5	0.0	0.1	0.2	0.1	0.1	-0.1	0.01	-0.11	-0.04	-0.02
Gangnam <sup>2</sup>	-5.2	8.6	11.3	-0.2	0.0	0.1	-0.1	-0.1	-0.3	-0.01	-0.09	-0.06	-0.03
Gyeonggi	-5.5	10.6	12.4	-0.2	-0.1	0.1	0.3	0.1	-0.1	-0.03	-0.02	-0.00	-0.04

1. Weekly trends

2. Upscale area of southern Seoul

Source: Kookmin Bank

Apartment sales transactions in October increased from the previous month while decreased from a year earlier.

#### Apartment sales transactions

(Monthly average, thousand)

2004	2005	2006					2007								
Annual	Annual	Sep	Oct	Nov	Dec	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	
64	79	100	110	152	116	63	70	70	67	61	68	65	55	80	

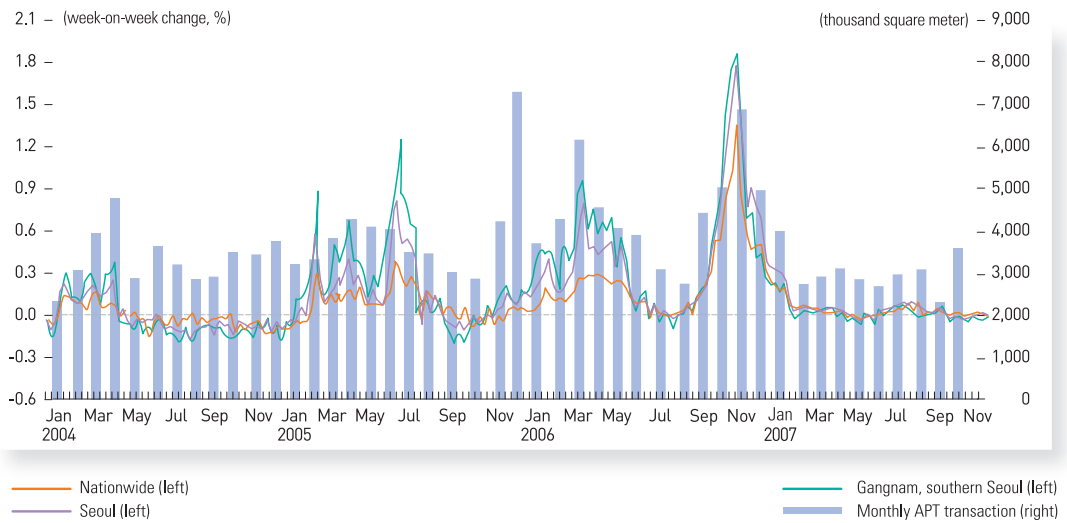
### 12-1 Real estate prices

Source: Kookmin Bank (national housing price trend)



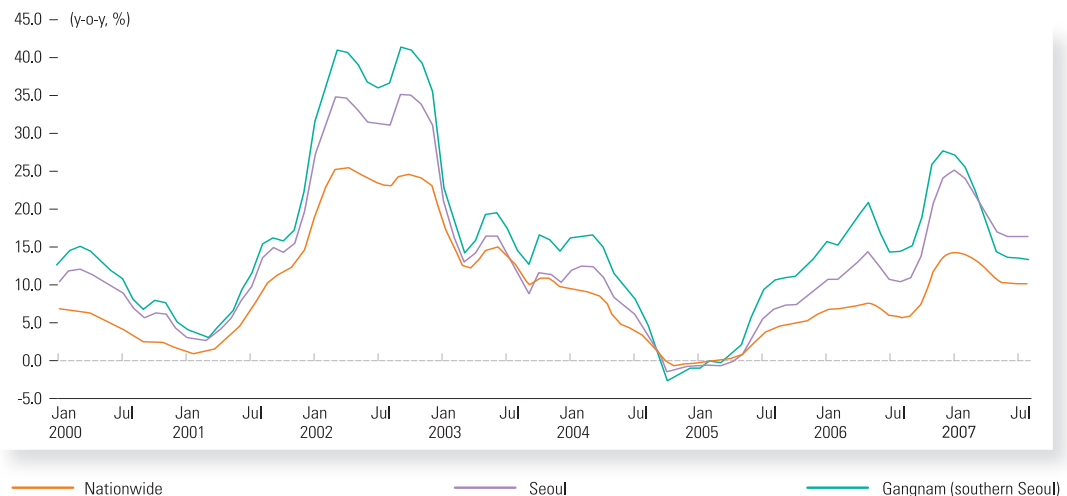
### 12-2 Weekly apartment sales prices and monthly transaction volume

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



### 12-3 Apartment prices by region

Source: Kookmin Bank (national housing price trend)



## 12.2 Land market

Nationwide land prices in October rose 0.36 percent from the previous month.

Out of 248 cities, counties and districts, the Seoul metropolitan area including Seoul (*up 0.60%*) and Gyeonggi province (*up 0.36%*) stayed above the national average (*up 0.36%*) while the rest stood below average.

### Land prices by region

(Percentage change from previous period)

	2004	2005			2006					2007			
	Annual	Annual	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Dec	Aug	Sep	Oct
Nationwide	3.86	4.98	1.13	1.11	5.61	1.31	1.43	1.25	1.5	0.49	0.29	0.32	0.36
Seoul	4.09	6.56	1.44	1.59	9.17	1.78	2.37	2.19	2.5	0.81	0.47	0.51	0.60
Gyeonggi	6.12	5.69	1.41	0.81	5.07	1.12	1.29	1.05	0.5	0.49	0.32	0.36	0.36
S. Chungcheong	11.65	8.32	1.28	2.12	5.54	2.77	1.31	0.69	0.67	0.24	0.14	0.15	0.17

Nationwide land transactions in October rose from the previous month while fell from the same month of the previous year.

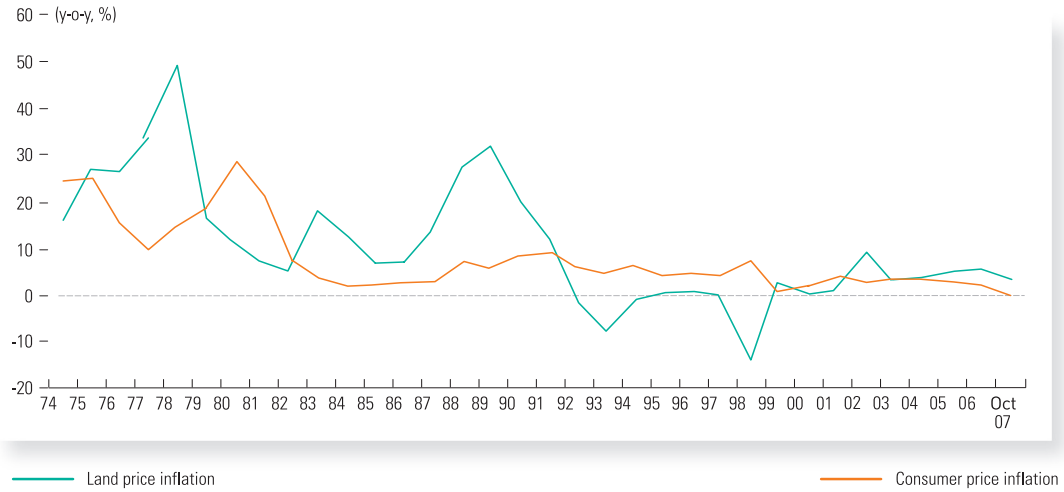
### Land sales transactions

(Monthly average, thousand)

	2004	2005	2006						2007				
	Annual	Annual	Jul	Aug	Sep	Oct	Nov	Dec	Jun	Jul	Aug	Sep	Oct
Nationwide	218	248	236	239	330	372	212	203	216	196	193	157	223
Gyeonggi	52	56	66	71	102	100	48	45	49	48	48	38	54
N. Chungcheong	8	11	8	7	10	13	9	8	10	8	8	6	9
S. Chungcheong	20	17	10	9	12	15	11	12	12	9	9	7	11

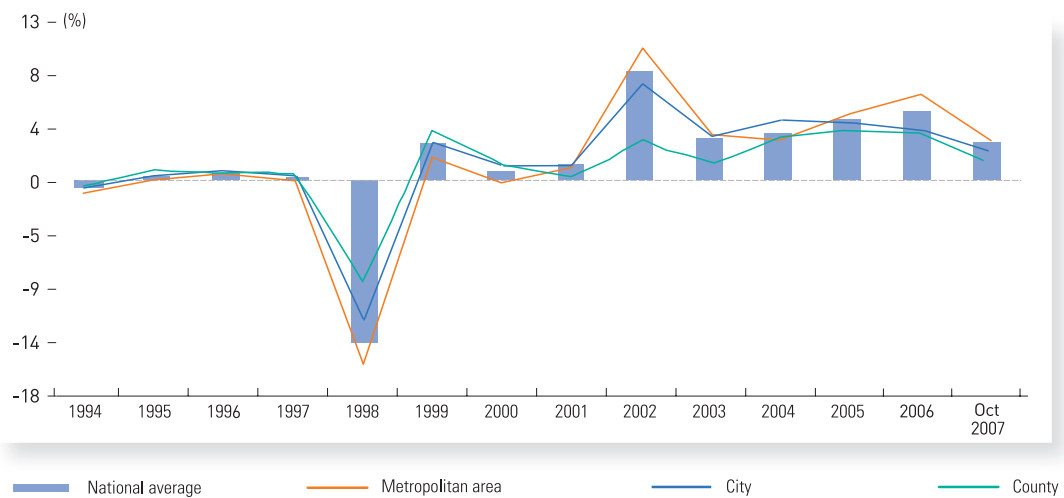
### 12-4 Land and consumer prices since 1970s

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



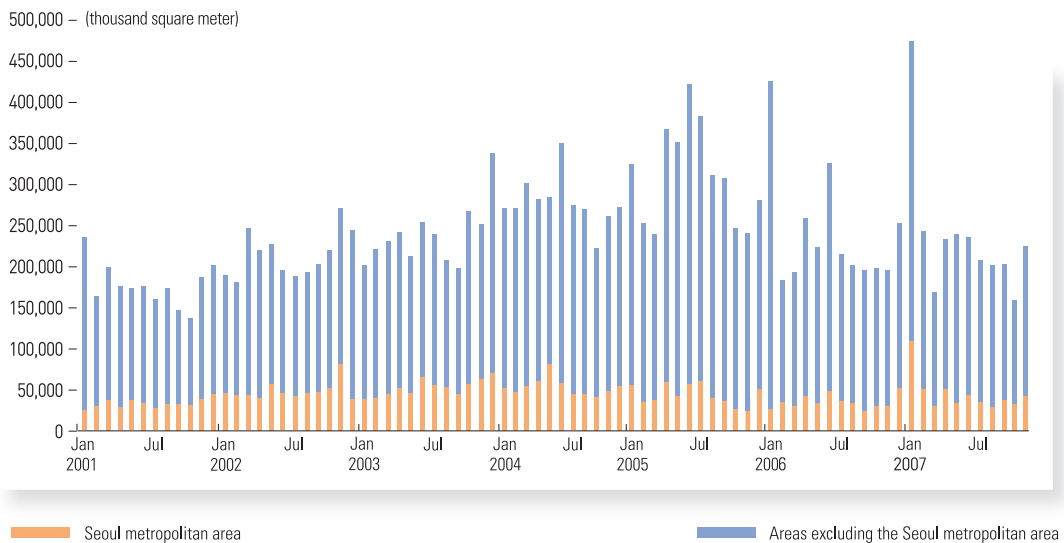
### 12-5 Land prices by region

Source: Korea Land Corporation (land price trend)



### 12-6 Land trade volume

Source: Korea Land Corporation (land trade trend)



## 13. Composite indexes of business cycle indicators

The cyclical indicator of coincident composite index, a barometer of current economic conditions, declined 0.1 point from a month earlier in October, due to decreases in the value of imports (*down 0.4%*) and the value of construction completed (*down 0.6%*), despite increases in the industrial production index (*up 1.2%*) and the wholesale & retail sales index (*up 0.9%*).

### Cyclical indicator of coincident composite index (m-o-m, p)

-0.1 (May 2007) ↻ 0.4 (Jun) ↻ 0.5 (Jul) ↻ 0.3 (Aug) ↻ -0.3 (Sep) ↻ -0.1 (Oct)

The on-year leading composite index, which foresees the future economic conditions, expanded 0.4 percentage point from the previous month in October led by increases in the value of construction orders received (*up 15.5%*) and the value of machinery orders placed (*up 5.9%*), although the indicator of inventory cycle (*down 3.3%*) and the net terms-of-trade index (*down 0.7%*) fell.

### 12 month smoothed change in leading composite index (m-o-m, %p)

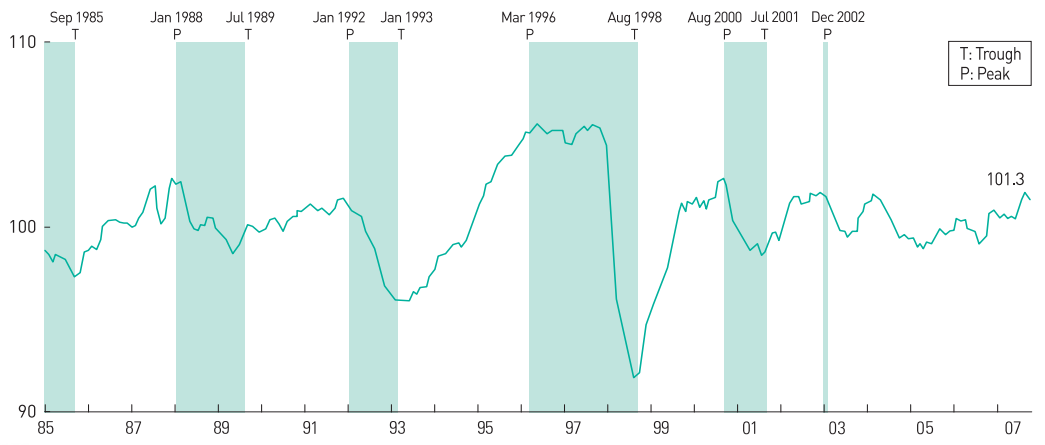
0.0 (May 2007) ↻ 0.5 (Jun) ↻ 0.4 (Jul) ↻ 0.3 (Aug) ↻ 0.2 (Sep) ↻ 0.4 (Oct)

	2007				
	Jun	Jul	Aug <sup>1</sup>	Sep <sup>1</sup>	Oct <sup>1</sup>
Coincident composite index (m-o-m, %)	0.8	0.9	0.7	0.1	0.3
Cyclical indicator of coincident composite index	100.9	101.4	101.7	101.4	101.3
(m-o-m, p)	0.4	0.5	0.3	-0.3	-0.1
Leading composite index (m-o-m, %)	0.9	0.6	0.6	0.6	0.8
12 month smoothed change in leading composite index (%)	5.6	6.0	6.3	6.5	6.9
(m-o-m, %p)	0.5	0.4	0.3	0.2	0.4

1. Preliminary

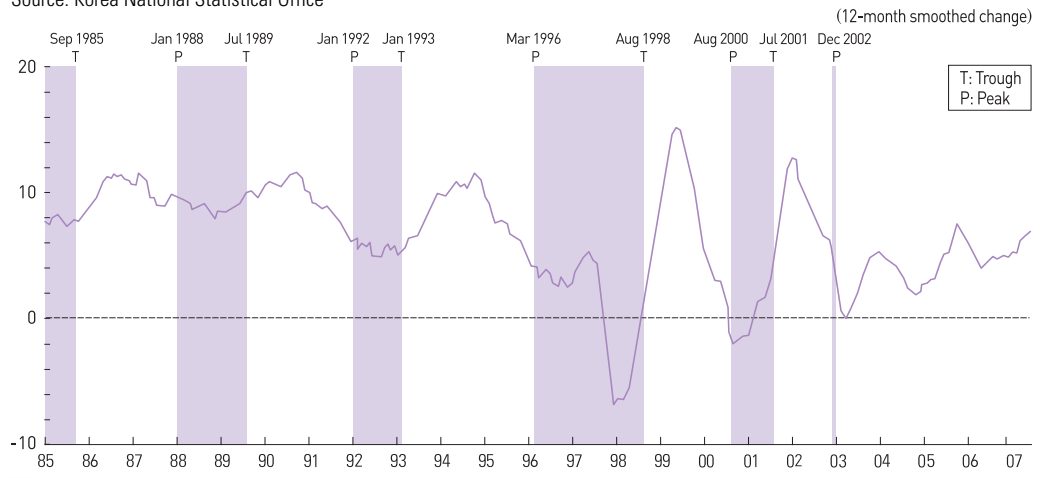
### 13-1 Cyclical indicator of coincident composite index

Source: Korea National Statistical Office



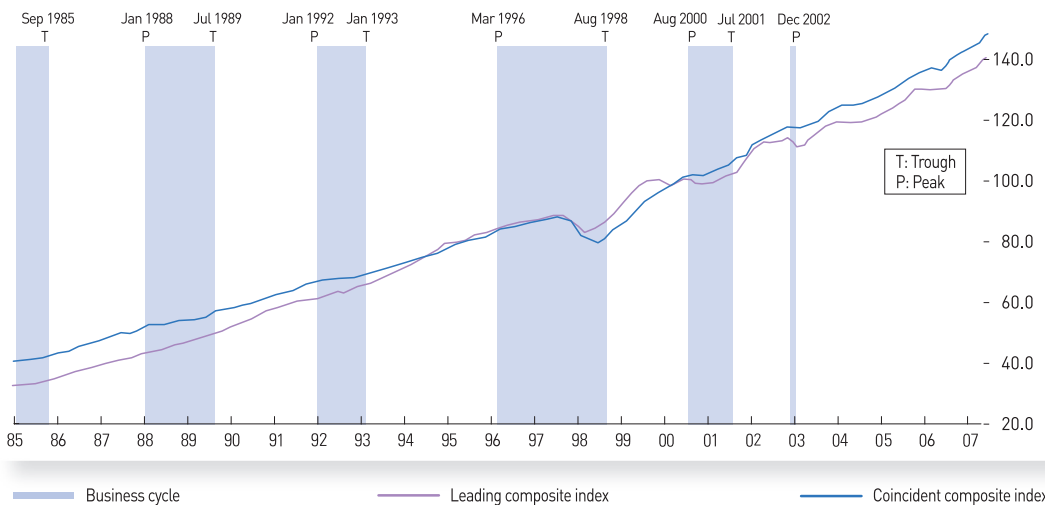
### 13-2 Leading composite index

Source: Korea National Statistical Office



### 13-3 Coincident and leading composite indexes

Source: Korea National Statistical Office



# Economic News Briefing

## Two Koreas begin cross-border cargo train service

In accordance with the Declaration on the Advancement of South-North Korean Relations, Peace and Prosperity, which was adopted at the historic South-North Korean Summit held in Pyongyang October 2007, the First South-North Prime Ministerial Talks on implementing the declaration was held in Seoul from November 14 to 16.

In the talks between South Korean Prime Minister Han Duck Soo and his North Korean counterpart Lim Yong-il, two Koreas agreed to begin a cross-border cargo railway service in December and jointly repair the North's dilapidated roads and railways in 2008. The agreement comes as South Korea, Russia and China have been discussing ambitious projects to connect the two Koreas' railway systems to the Trans-Siberian and Trans-China railways so that products from South Korea could be transported to Europe at lower costs and in less time. The divided Koreas also agreed to begin working in the first half of next year to create a joint fishing area in the disputed western sea border region and to construct a communications center at the Gaeseong Industrial Complex to facilitate Internet and mobile phone use in the area.

Also agreed upon was the establishment of a joint economic committee, headed by deputy prime ministers, to deal with economic cooperation issues. In line with the agreement, the first meeting of the Joint Committee for Inter-Korean Economic Cooperation was held in Seoul from December 4 to 6. As wrapping up the meeting, the Deputy Prime Minister and Minister of Finance and Economy O-kyu Kwon evaluated that the meeting paved the way for actively facilitating and further developing inter-Korean economic cooperation projects in a consistent manner.

## Yeosu chosen as site of 2012 World Expo

The Korean city of Yeosu was selected as the host city of the International Exposition in 2012 at the 142<sup>nd</sup> General Assembly of the Bureau International des Expositions (BIE) held in Paris on November 27. The theme for the 2012 exposition at the port city on Korea's southern coast is for environmental cause, "The Living Ocean and Coast: Diversity of Resources and

Sustainable Activity.” From May 13 to August 12 of that year, various nationals will come together to address the issues of sustainable development amid the perils of climate change and rising sea levels.

The Ministry of Maritime Affairs and Fisheries, which is in charge of preparing the sites for the grand display, expects about 7.28 million locals and 670,000 foreigners to attend the 2012 Expo, generating 10 trillion won (*US\$10.8 billion*) worth of economic output, just over 4 trillion won worth of added value and 90,000 jobs. In accordance, the ministry is determined to use the opportunity to improve the nation’s image, foster balanced regional development and establish a strong foothold for Korea to rise as the fifth largest sea power in the world.

Yeosu, the host city, sits on an area where petrochemical and steel complexes operate on one side while on the other side thrives with wild animal species. Nearby is the pristine Hallyeo National Marine Park with 317 islands, a shoreline that stretches up to 905 km, a clean sea zone and other natural resources perfect for tourists.

## GDP increases on-quarter 1.3% in Q3 (preliminary)

Korea’s economy expanded a revised 1.3 percent in the third quarter from three months earlier, down from an earlier 1.4 percent estimate, mainly on slower-than-expected private consumption growth amid a dip in facility and construction investments, said Bank of Korea.

According to the central bank’s preliminary report, the GDP growth in the July-September period decelerated from a 1.8 percent gain in the second quarter. From a year earlier, it rose 5.2 percent, matching last month’s advance estimate. The data from the BOK’s economic statistics division showed that the economy has so far expanded 4.7 percent, more than the initial forecast of 4.5 percent.

### GDP by production and expenditure\*

(Percentage change from previous quarter)

	2005		2006 <sup>1</sup>				2007 <sup>1</sup>		
	Annual	Annual	Q1	Q2	Q3	Q4	Q1	Q2	Q3
GDP	4.2	5.0	1.0	0.8	1.2	0.9	0.9	1.8	1.3 (5.2) <sup>2</sup>
Agriculture, forestry and fishery	0.7	-2.6	-2.2	-0.7	-0.4	-0.6	1.8	0.7	-2.1 (2.0)
Manufacturing	7.1	8.4	0.8	1.6	2.2	1.0	-0.9	3.6	2.7 (6.4)
Construction	-0.1	-0.1	-0.2	-1.4	3.6	0.6	1.4	-1.8	-0.2 (0.5)
Services <sup>3</sup>	3.4	4.2	1.1	0.7	0.9	1.2	1.2	1.3	1.8 (5.6)
Private consumption	3.6	4.2	1.2	0.6	0.9	1.0	1.5	0.8	1.2 (4.7)
Facility investment	5.7	7.6	-1.0	2.2	3.8	0.1	4.4	3.4	-6.3 (1.6)
Construction investment	-0.2	-0.4	0.0	-0.9	2.0	1.9	0.8	-1.3	-0.5 (0.9)
Goods exports <sup>4</sup>	9.7	12.6	2.3	5.4	2.9	-0.5	2.7	5.2	-3.7 (5.0)
Goods imports <sup>4</sup>	6.4	10.8	1.8	6.1	2.0	-2.1	4.5	6.5	-0.1 (3.5)

\*At 2000 constant prices, seasonally adjusted

1. Preliminary

2. Figures in parenthesis refer to percentage change from the previous year in original terms.

3. Wholesale and retail sales, hotels and restaurants, transportation and storage, communication services, financial and insurance services, real estate, business services, public administration, defense and social security, educational services, healthcare and social welfare services and other services are included.

4. FOB basis

## Bank of Korea to adopt new benchmark rate next March

The Bank of Korea (BOK) said it has decided to change the key interest rate target from the overnight call rate to repurchase agreements (RPs) rate beginning next March to reflect market situations better in its monetary policies. The BOK will auction seven-day repurchase, or repo, agreement every Thursday to make adjustments in the short-term liquidity conditions of money markets. Despite the change, the BOK will continue to make efforts to keep the call rate close to the benchmark rate.

## Korea to become 11<sup>th</sup> largest trading nation in the world

According to the Ministry of Commerce, Industry and Energy, Korea is expected to become the world's 11<sup>th</sup> largest trading nation as the value of the country's two-way trade will likely reach US\$719.0 billion by the end of this year, up from US\$634.9 billion in 2006 when Korea ranked 12<sup>th</sup> in terms of international trade volume. The country's exports and imports expanded by an average of 14 percent in the first eight months of the year. It took Korea just seven years to go from the US\$300 billion mark reached in 2000 to over US\$700 billion in total trade volume. If it continues at its current pace, trade volume may reach the US\$1 trillion level in 2011, said the ministry.

## Korea signs service FTA with ASEAN while seeking more FTAs

President Roh Moo-hyun and the leaders of the 10-country Association of Southeast Asian Nations (ASEAN) signed a Korea-ASEAN free trade agreement (FTA) on services and investment at the Korea-ASEAN Summit held on November 21. The new service agreement, once in effect, is expected to further open Southeast Asian markets for computers, communications and shipping, offering Korean service providers more business opportunities in the ASEAN countries. Korea and ASEAN signed an FTA on goods in August last year that came into force in June this year.

Korea currently has free trade pacts with Chile, Singapore and the European Free Trade Association (EFTA), which consists of Switzerland, Norway, Ireland and Lichtenstein. The country is also awaiting ratification of a free trade deal with the US signed on June 30 and having FTA negotiations with the European Union (EU), Canada and Mexico. It further plans to launch an FTA negotiation with the member states of the Gulf Cooperation Council (GCC) in April next year, and is working on feasibility studies of FTAs with China, Russia and South American countries. This movement demonstrates the government efforts in pushing ahead with FTAs with countries which could be helpful in boosting Korea's future economic growth.

## Korea, Russia to strengthen their economic and energy ties

Korea and Russia agreed on closer cooperation in the field of trade, energy and technology at the 8<sup>th</sup> Korea-Russia joint economic, science and technology meeting held in Moscow on December 14.

As a part of the agreement, Korea Gas Corporation and Russia's state-run gas company Gazprom will launch a joint study aimed at discussing possible options for Russian natural gas deliveries to Korea. The officials from two countries also agreed to hold expert-level talks, including South and North Korea and Russia, to discuss linking the Korea railroad system to the Trans Siberian Railway (TSR) and expanding ship container operations. The two Koreas have already linked their railways, and if this link can be extended to the TSR, new opportunities would open up for South Korea which is aiming at becoming a business and logistics hub for Northeast Asia. Korea and Russia, in addition, agreed to expand cooperation in space exploration and to do more to reduce problems encountered by the business community.

## **DPM calls for international cooperation to finance North Korea development**

Korea's Deputy Prime Minister and Minister of Finance and Economy O-kyu Kwon called on participants at the meeting of the finance ministers and central bank governors from the Group of 20 held on November 17 to 19 to cooperate further to finance the economic development of North Korea. "Concerted efforts by the international community are needed to raise additional development funds for North Korea given North Korea's significant influence in the North-East Asian economy, on the condition that the economic cooperation with the North proceeds in line with the smooth resolution of nuclear problems and the North's normalization of relation with major world players," said DPM Kwon.

"The South-North economic cooperation projects, agreed in the recent summit between the two Korean leaders, will impose manageable financial burdens, as they were selected under three principles of mutual benefits, commercial feasibility and minimization of the financial burden on the South", added the finance minister.

Also, Kwon at the same meeting called for financial authorities' preemptive actions, and information sharing and cooperation among nations to prevent the risk of financial crisis by curbing on excessive liquidity and herd behavior in the financial market.

## **5 Far Eastern countries to accelerate development of Tumen river area**

All the Greater Tumen Initiative (GTI) member governments (South and North Korea, China, Russia and Mongolia) agreed on the development projects of Tumen river area at the meeting of the 9<sup>th</sup> Consultative Commission of the GTI held in Vladivostok, Russia on November 15 to 16. GTI is a joint project of the five member countries aiming at developing Tumen river area with the support of the United Nations Development Programme (UNDP).

A number of concrete projects were adopted at the meeting, such as the opening of a new ferry route to connect Troitsa (Russia), Sokcho (South Korea) and Nigata (Japan) to improve inter-regional transportation, and the feasibility study for a new Mongolia-China railway allowing a better access to sea ports and markets for land-locked provinces.

Also, member countries endorsed the establishment of the Energy Board, the Tourism Council, the Business Advisory Council, and the framework for environmental cooperation. The member of the Business Advisory Council includes 7 Korean companies including the Korea Chamber of Commerce & Industry, Lotte Engineering & Construction Co., and Daewoo International Co. along with multinationals such as DHL and Goldman Sachs.

## Universal Studios to build new theme park in Korea by 2012

Korea's Gyeonggi province and Universal Parks & Resorts of the US have signed a memorandum of understanding (MOU) on November 27 to build a 2.9 trillion won (*US\$3.1 billion*) theme park by 2012 in Hwaseong, a city about 70 kilometers southwest of Seoul, Gyeonggi province. The Universal Studios theme park, once open, is expected to create about 60,000 new jobs and generate around 2.9 trillion won worth of production, according to an estimate by the provincial government.

## Japanese rating agency ups Korea's rating outlook

A Japan Credit Rating (JCR) raised Korea's sovereign rating outlook from "stable" to "positive" on November 28 citing improvements in domestic consumption, solid export gains and expectations that the economy will grow by about five percent in the medium term. Currently, the Japanese credit appraiser puts Korea's sovereign credit rating at "A+"

JCR also said Korea's government debt to gross domestic product (GDP) ratio was not excessive and could be managed by the government. Korea's government debt that has been growing in recent years stood at 33.4 percent of the GDP in late 2006.

JCR is one of the two credit service providers in Japan, along with Japan Rating and Investment Information Inc. It raised Korea's sovereign rating from "A" to "A+" in August 2006.

# Statistical Appendices

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14. Monetary indicators
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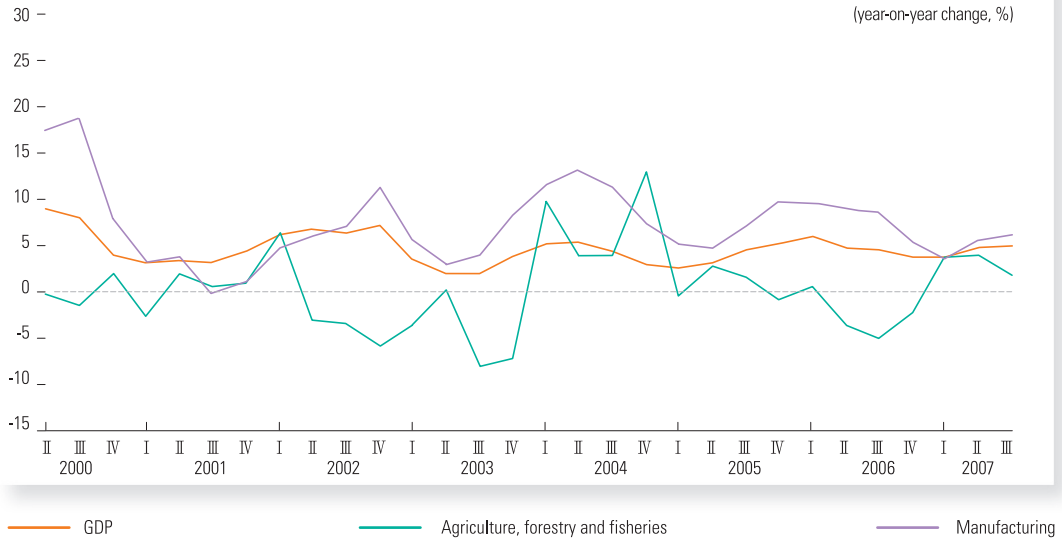
# 1. National accounts

(year-on-year change, %, 2000 constant prices)

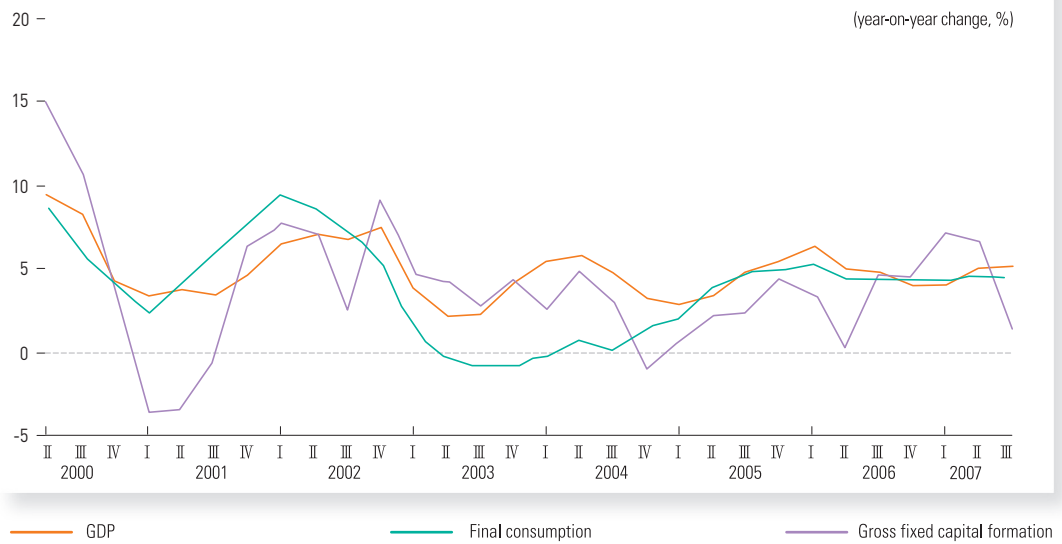
Period	Real GDP			Final consumption expenditure	Gross fixed capital formation		
		Agri., fores. & fisheries	Manufacturing			Construction	Facilities
2000	8.5	1.2	17.0	7.1	12.2	-0.8	33.6
2001	3.8	1.1	2.2	4.9	-0.2	6.0	-9.0
2002	7.0	-3.5	7.6	7.6	6.6	5.3	7.5
2003	3.1	-5.3	5.5	-0.3	4.0	7.9	-1.2
2004	4.7	9.2	11.1	0.4	2.1	1.1	3.8
2005	4.2	0.7	7.1	3.9	2.4	-0.2	5.7
2006 <sup>P</sup>	5.0	-2.6	8.4	4.5	3.2	-0.4	7.6
2002 I	6.5	6.7	5.2	9.4	7.7	11.0	3.3
II	7.0	-2.7	6.2	8.5	7.3	6.0	8.0
III	6.8	-3.2	7.4	7.3	2.4	-2.4	9.1
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
II	2.2	0.5	3.3	-0.6	4.2	7.9	-0.4
III	2.3	-7.8	4.2	-1.0	2.7	7.7	-4.6
IV	4.1	-6.9	8.6	-0.9	4.3	8.3	-2.0
2004 I	5.4	10.1	11.9	-0.4	2.4	4.9	-0.1
II	5.7	4.2	13.6	0.7	4.7	3.8	6.4
III	4.7	4.3	11.7	0.1	2.9	1.0	6.8
IV	3.3	13.3	7.7	1.3	-1.1	-3.3	2.4
2005 I	2.9	-0.1	5.4	2.0	0.5	-3.3	3.8
II	3.4	3.1	5.1	3.9	2.1	1.1	3.1
III	4.8	1.9	7.5	4.8	2.2	-0.1	5.0
IV	5.5	-0.5	10.1	4.9	4.3	0.4	10.8
2006 <sup>P</sup> I	6.3	0.9	9.9	5.2	3.5	0.2	7.0
II	5.1	-3.3	9.3	4.3	0.1	-5.0	7.2
III	4.8	-4.7	9.0	4.3	4.6	-0.1	11.1
IV	4.0	-2.0	5.7	4.3	4.5	3.2	5.3
2007 <sup>P</sup> I	4.0	4.0	3.8	4.3	7.0	3.9	10.8
II	5.0	4.3	5.9	4.5	6.7	3.2	11.9
III	5.2	2.0	6.4	4.5	1.4	0.9	1.6

P: Preliminary  
Source: The Bank of Korea

### Growth rate by economic activity



### Growth rate by expenditure on GDP



## 2. Production, shipment and inventory See graphs 6-1, 6-3, 7-1, 7-2 & 7-3

(constant prices, 2000 = 100)

Period	Production		Shipment		Inventory		Service production	
	index	Y-o-Y change (%)	index	Y-o-Y change (%)	index	Y-o-Y change (%)	index	Y-o-Y change (%)
2004	126.2	10.2	124.7	9.1	121.2	9.3	118.3	0.7
2005	134.1	6.3	131.7	5.6	124.1	2.4	122.6	3.6
2006	147.6	10.1	142.0	7.8	131.8	6.2	129.0	5.2
2006 I	143.4	12.8	137.8	9.7	132.4	3.8	124.1	6.2
II	146.7	11.5	141.6	9.0	133.6	7.5	129.0	5.4
III	145.2	11.3	139.8	9.2	130.8	6.5	128.5	4.5
IV	155.0	5.2	148.6	3.8	131.8	6.2	134.5	4.8
2007 I	148.2	3.3	143.9	4.4	140.0	5.7	131.1	5.6
II	157.0	7.0	151.8	7.2	137.4	2.8	137.2	6.4
III <sup>P</sup>	157.2	8.3	149.6	7.0	136.2	4.1	137.4	6.9
2006 1	142.1	7.7	135.2	5.3	128.1	-0.4	124.1	7.7
2	136.7	21.4	132.2	17.5	130.2	2.3	118.1	6.0
3	151.4	10.7	146.0	7.5	132.4	3.8	130.2	5.3
4	145.1	10.7	140.1	8.4	132.5	3.7	128.5	6.6
5	148.5	12.6	142.8	10.4	134.7	5.2	130.2	6.5
6	146.5	11.2	141.9	8.3	133.6	7.5	128.2	4.3
7	137.4	4.9	130.5	1.8	135.8	7.2	124.9	2.8
8	142.6	11.7	138.5	9.7	131.7	7.3	128.0	5.5
9	155.7	17.6	150.5	16.2	130.8	6.5	132.5	6.9
10	151.6	5.5	144.4	2.9	131.6	7.3	129.0	4.5
11	160.8	7.1	154.1	5.3	131.3	7.1	132.5	5.7
12	152.7	3.0	147.2	3.0	131.8	6.2	141.9	5.4
2007 1	152.7	7.5	144.6	7.0	142.1	10.9	130.3	5.0
2	135.9	-0.6	133.8	1.2	141.2	8.4	126.0	6.7
3	156.1	3.1	153.4	5.1	140.0	5.7	136.9	5.1
4	154.9	6.8	150.0	7.1	140.3	5.9	135.3	5.3
5	158.5	6.7	153.0	7.1	138.1	2.5	137.9	5.9
6	157.7	7.6	152.5	7.5	137.4	2.8	138.3	7.9
7	157.0	14.3	149.9	14.9	140.0	3.1	137.3	9.9
8	158.5	11.2	150.5	8.7	139.2	5.7	137.4	7.3
9 <sup>P</sup>	156.2	0.3	148.3	-1.5	136.2	4.1	137.5	3.8
10 <sup>P</sup>	178.6	17.8	168.1	16.4	139.0	5.6	140.6	9.0

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 (%)
2004	115.1		4.8	102.5	2.8	80.3
2005	119.0		3.4	102.1	-0.4	79.7
2006	123.1		3.4	103.1	1.0	81.1
2006	I	122.6	4.6	102.2	2.8	81.8
	II	122.8	4.0	105.0	0.9	80.7
	III	122.7	3.2	100.8	2.1	80.6
	IV	124.3	2.1	104.4	-1.5	81.3
2007	I	124.4	1.5	102.2	0.0	81.6
	II	126.1	2.7	107.6	2.5	82.8
	III <sup>P</sup>	128.0	4.3	100.2	-0.6	82.4
2006	1	122.5	4.6	99.8	-2.8	83.1
	2	122.5	4.5	97.5	12.3	80.9
	3	122.7	4.6	109.3	0.6	81.3
	4	122.7	4.6	103.3	-1.4	79.3
	5	122.8	3.7	106.2	2.1	80.9
	6	122.8	3.6	105.5	1.8	81.9
	7	122.8	3.6	94.9	-6.8	76.7
	8	122.6	3.4	98.0	1.9	81.2
	9	122.6	2.6	109.4	11.4	84.0
	10	124.1	2.6	101.2	-3.5	81.9
	11	124.3	1.9	109.7	0.9	81.6
	12	124.4	1.9	102.4	-2.0	80.5
2007	1	124.4	1.6	104.2	4.4	81.4
	2	124.4	1.6	93.0	-4.6	82.0
	3	124.5	1.5	109.5	0.2	81.4
	4	125.6	2.4	107.0	3.6	82.3
	5	126.1	2.7	109.2	2.8	83.3
	6	126.7	3.2	106.7	1.1	82.7
	7	127.2	3.6	102.8	8.3	83.1
	8	128.2	4.6	100.9	3.0	83.5
	9 <sup>P</sup>	128.7	5.0	96.7	-11.5	80.6
	10 <sup>P</sup>	131.0	5.6	111.7	10.4	83.4

P: Preliminary

Source: Korea National Statistical Office

## 4. Consumer goods sales index See graphs 2-2, 2-3, 2-4 & 2-5

(constant prices, 2000 = 100)

Period	Consumer goods sales index		Durable goods		Semi-durable goods		Non-durable goods	
		Y-o-Y change (%)		Y-o-Y change (%)		Y-o-Y change (%)		Y-o-Y change (%)
2004	116.2	1.0	117.1	3.3	115.8	3.9	116.0	-1.4
2005	121.0	4.1	124.7	6.5	124.9	7.9	117.4	1.2
2006	126.7	4.7	138.4	11.0	131.3	5.1	118.7	1.1
2006 I	121.9	5.3	127.7	11.5	124.1	7.4	118.0	1.2
II	127.3	6.1	136.8	11.3	134.3	6.7	119.2	3.0
III	122.4	2.9	140.8	11.4	114.9	2.9	116.7	-1.7
IV	135.2	4.5	148.1	9.6	151.9	3.6	120.8	2.0
2007 I	130.6	7.1	149.4	17.0	132.0	6.4	120.5	2.1
II	134.0	5.3	156.1	14.1	139.2	3.6	120.3	0.9
IIIP	132.9	8.6	161.3	14.6	121.4	5.7	124.0	6.3
2006 1	126.0	9.1	122.3	7.0	125.6	8.6	128.1	10.3
2	113.3	1.4	123.9	16.1	115.9	7.4	106.6	-8.2
3	126.5	5.3	136.9	11.7	130.8	6.4	119.2	1.4
4	125.6	5.5	131.2	8.0	137.7	8.7	117.1	2.7
5	129.7	6.6	136.6	11.3	141.2	7.3	120.7	3.7
6	126.5	6.0	142.5	14.5	123.9	3.9	119.7	2.6
7	118.9	-0.8	135.6	-0.7	115.7	1.8	111.9	-2.3
8	119.4	4.3	141.0	13.1	99.7	1.9	117.9	0.4
9	129.0	5.3	145.9	23.9	129.2	4.5	120.3	-3.2
10	129.8	5.2	136.6	8.8	141.4	0.0	120.8	6.2
11	134.1	5.1	151.3	11.8	152.7	6.8	116.7	0.3
12	141.7	3.3	156.5	8.3	161.6	3.9	124.9	0.0
2007 1	129.4	2.7	148.2	21.2	132.1	5.2	118.7	-7.3
2	127.0	12.1	139.2	12.3	124.1	7.1	122.2	14.6
3	135.5	7.1	160.9	17.5	139.7	6.8	120.7	1.3
4	131.8	4.9	151.3	15.3	141.2	2.5	117.5	0.3
5	137.5	6.0	158.1	15.7	145.9	3.3	123.2	2.1
6	132.6	4.8	158.9	11.5	130.4	5.2	120.3	0.5
7	130.6	9.8	165.4	22.0	121.5	5.0	117.4	4.9
8	128.0	7.2	162.4	15.2	105.0	5.3	121.6	3.1
9P	140.0	8.5	156.2	7.1	137.6	6.5	132.9	10.5
10P	140.0	7.9	165.4	21.1	151.0	6.8	122.1	1.1

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)		Durable goods		Non-durable goods		Expectations index	Present situation index
		Y-o-Y change (%)		Y-o-Y change (%)		Y-o-Y change (%)		
2004	105.8	-1.4	106.4	-4.7	103.6	-1.1	-	-
2005	108.0	2.1	112.6	5.8	104.2	0.6	-	-
2006	113.3	4.9	124.0	10.1	107.8	3.5	-	-
2006 I	109.4	6.8	116.1	14.0	105.0	4.4	-	-
II	111.3	5.7	125.1	12.5	104.4	3.1	-	-
III	113.4	5.3	121.7	9.1	109.4	4.5	-	-
IV	119.2	2.2	133.2	5.7	112.6	2.0	-	-
2007 I	114.3	4.5	129.6	11.6	107.8	2.7	-	-
II	116.5	4.7	137.6	10.0	107.9	3.4	-	-
III <sup>P</sup>	115.4	1.8	136.2	11.9	106.9	-2.3	-	-
2006 1	110.4	3.0	112.3	10.0	107.9	0.9	104.5	88.4
2	103.1	12.4	112.5	23.1	97.8	8.3	103.8	89.0
3	114.6	5.9	123.5	10.3	109.2	4.5	103.4	90.1
4	108.8	4.7	118.1	9.9	103.7	3.1	100.6	87.2
5	112.0	6.8	125.5	13.5	105.3	4.2	98.0	83.0
6	113.0	5.5	131.8	14.2	104.2	2.1	97.4	81.9
7	104.7	-1.9	110.3	-5.0	102.2	0.7	94.3	78.7
8	110.5	3.3	117.4	8.6	107.5	2.2	93.7	77.8
9	124.9	14.2	137.3	24.4	118.4	10.3	94.8	78.9
10	114.1	0.3	126.8	3.6	107.8	0.0	93.9	80.7
11	122.8	4.4	139.4	8.1	115.1	4.4	95.2	77.3
12	120.7	1.9	133.4	5.2	115.0	1.6	93.7	77.1
2007 1	117.5	6.4	127.5	13.5	113.1	4.8	96.1	79.3
2	107.2	4.0	120.6	7.2	101.5	3.8	98.1	82.3
3	118.3	3.2	140.7	13.9	108.9	-0.3	97.8	83.3
4	115.3	6.0	132.1	11.9	108.5	4.6	100.1	87.4
5	118.9	6.2	142.2	13.3	109.6	4.1	101.1	89.6
6	115.4	2.1	138.6	5.2	105.6	1.3	101.5	90.4
7	115.6	10.4	138.8	25.8	106.2	3.9	102.6	91.4
8	116.5	5.4	137.0	16.7	108.1	0.6	103.0	91.4
9	114.2 <sup>P</sup>	-8.6 <sup>P</sup>	132.9 <sup>P</sup>	-3.2 <sup>P</sup>	106.4 <sup>P</sup>	-10.1 <sup>P</sup>	103.2	92.0
10	125.4 <sup>P</sup>	9.9 <sup>P</sup>	152.0 <sup>P</sup>	19.9 <sup>P</sup>	113.6 <sup>P</sup>	5.4 <sup>P</sup>	103.3	92.5
11	-	-	-	-	-	-	102.0	88.0

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, constant prices)				Estimated facility investment index (2000=100)	Domestic machinery shipment excluding ship (2000=100)
	Total	Public	Private	Manufacturing		
2005	27,422	3,338	24,085	10,984	107.4	101.8
2006	32,574	3,576	28,998	14,535	115.3	106.6
2006 III	7,914	944	6,970	3,381	115.8	102.4
IV	8,244	1,234	7,009	3,459	119.1	114.0
2007 I	9,360	713	8,646	4,137	123.7	108.5
II	8,911	582	8,329	4,050	129.3	114.6
III <sup>P</sup>	9,069	801	8,268	4,362	113.5	100.7
2006 7	2,295	186	2,110	990	115.1	95.3
8	2,650	312	2,339	1,109	116.7	101.4
9	2,968	447	2,521	1,282	115.5	110.6
10	2,950	673	2,277	1,144	113.5	101.2
11	2,612	188	2,424	1,133	118.1	111.0
12	2,682	373	2,308	1,183	125.6	129.7
2007 1	3,071	227	2,844	1,378	118.1	102.8
2	3,171	243	2,928	1,462	116.7	102.6
3	3,118	243	2,874	1,296	136.4	120.2
4	2,808	188	2,620	1,313	135.5	109.8
5	2,986	184	2,801	1,287	129.3	118.8
6	3,118	210	2,908	1,450	123.0	115.2
7	2,988	293	2,694	1,289	116.3	106.4
8	2,786	245	2,541	1,172	118.7	100.8
9 <sup>P</sup>	3,310	262	3,048	1,901	105.9	100.7
10 <sup>P</sup>	3,851	171	3,680	2,388	117.3	94.6
<i>Y-o-Y change (%)</i>						
2005	5.7	-1.3	6.7	-0.7	6.3	0.6
2006	18.8	7.1	20.4	32.3	7.4	4.7
2006 III	21.0	19.0	21.3	35.0	11.8	4.0
IV	16.7	22.1	15.8	32.8	5.1	6.7
2007 I	15.3	12.1	15.6	7.0	11.3	6.5
II	7.4	-23.5	10.5	5.8	12.1	5.9
III <sup>P</sup>	14.6	-15.2	18.6	29.0	-2.0	-1.7
2006 7	6.2	-38.8	13.6	23.9	3.9	-6.4
8	18.4	6.9	20.2	33.3	14.4	5.1
9	38.7	125.2	29.8	46.6	17.7	13.9
10	34.1	114.9	20.7	44.6	5.6	3.1
11	16.6	-14.2	19.9	30.5	7.8	10.3
12	2.1	-22.0	7.5	25.2	2.3	6.7
2007 1	26.0	22.1	26.3	21.7	15.4	10.4
2	15.0	20.2	14.6	10.7	12.8	6.4
3	6.7	-2.0	7.5	-8.2	7.0	3.4
4	1.2	3.9	1.0	-3.7	15.7	4.7
5	18.0	28.6	17.3	11.0	11.4	6.2
6	4.1	-52.0	13.7	11.0	9.2	6.8
7	30.2	58.0	27.7	30.2	1.0	11.6
8	5.1	-21.3	8.6	5.7	1.7	-0.7
9 <sup>P</sup>	11.5	-41.3	20.9	48.3	-8.3	-14.5
10 <sup>P</sup>	30.5	-74.5	61.6	108.8	3.3	6.6

P: Preliminary

Source: Korea National Statistical Office

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

See graphs 4-2 & 4-3

(current prices, billion won)

Period	Value of construction completed (total)	Type of order		Domestic construction orders received (total)	Type of order	
		Public	Private		Public	Private
2005	75,831	23,031	50,144	83,489	21,825	58,975
2006	78,637	23,470	52,623	91,001	20,460	66,550
2006 III	19,520	6,010	12,918	23,049	4,159	18,074
IV	23,014	7,593	14,633	30,327	8,347	19,447
2007 I	17,306	4,940	11,783	20,678	5,683	14,893
II	20,878	6,345	13,723	26,839	5,025	19,649
III <sup>P</sup>	20,218	6,106	13,315	21,768	4,462	15,740
2006 7	5,873	1,724	3,989	7,123	987	6,020
8	6,286	1,890	4,229	5,808	785	4,598
9	7,361	2,396	4,701	10,118	2,387	7,457
10	6,826	2,192	4,435	5,245	1,609	3,503
11	7,533	2,271	5,009	9,031	2,796	6,101
12	8,655	3,130	5,189	16,051	3,941	9,843
2007 1	5,498	1,473	3,854	6,411	1,562	4,822
2	5,307	1,533	3,602	6,326	1,830	4,488
3	6,501	1,934	4,328	7,942	2,291	5,584
4	6,743	1,922	4,515	7,841	1,789	5,733
5	6,810	2,119	4,462	7,096	1,621	4,891
6	7,326	2,305	4,745	11,902	1,615	9,025
7	6,597	1,963	4,381	6,060	1,491	3,685
8	6,759	1,953	4,542	6,586	1,354	4,874
9 <sup>P</sup>	6,829	2,185	4,361	9,122	1,616	7,181
10 <sup>P</sup>	7,359	2,081	4,957	10,735	3,286	7,138
<i>Y-o-Y change (%)</i>						
2005	4.1	-3.7	7.5	7.3	-1.7	14.5
2006	3.7	1.9	4.9	9.0	-6.3	12.8
2006 III	4.8	9.0	3.8	37.1	21.2	36.8
IV	6.0	12.6	4.0	27.1	2.7	28.3
2007 I	6.5	18.8	1.9	26.3	49.3	21.8
II	5.2	11.2	1.6	26.3	21.2	17.0
III <sup>P</sup>	3.6	1.6	3.1	-5.6	7.3	-12.9
2006 7	-2.4	-2.0	-1.4	6.8	-11.2	10.4
8	1.7	8.4	0.5	15.0	-24.6	14.9
9	14.4	19.1	12.1	98.5	86.6	98.4
10	6.1	18.7	2.2	-0.2	27.9	-11.1
11	5.6	10.1	4.7	44.9	27.9	55.1
12	6.3	10.4	5.0	29.8	-15.8	35.1
2007 1	10.5	14.1	9.3	9.7	73.4	0.3
2	8.3	25.9	2.3	40.1	20.5	55.1
3	2.0	17.3	-4.1	32.0	65.0	23.4
4	6.1	7.4	3.2	48.9	45.5	43.6
5	5.4	15.1	1.0	5.2	15.6	-6.8
6	4.2	10.9	0.5	28.8	6.6	19.4
7	12.3	13.8	9.8	-14.9	51.1	-38.8
8	7.5	3.4	7.4	13.4	72.5	6.0
9 <sup>P</sup>	-7.2	-8.8	-7.2	-9.8	-32.3	-3.7
10 <sup>P</sup>	7.8	-5.1	11.8	104.7	104.2	103.8

P: Preliminary

Source: Korea National Statistical Office

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

See graphs 13-1, 13-2 & 13-3

Period	Leading index (2000=100)	Y-o-Y change (%)	Coincident index (2000=100)	Cycle of coincident index (2000=100)	BSI (actual)	BSI (outlook)	
2005	1	120.3	2.0	127.1	99.2	84.6	77.8
	2	121.0	2.3	127.2	98.8	87.2	85.7
	3	122.3	3.1	127.9	98.9	110.7	119.2
	4	123.0	3.4	128.2	98.7	107.0	117.6
	5	123.6	3.7	129.2	99.1	98.2	114.1
	6	123.8	3.8	129.9	99.2	93.4	105.1
	7	124.7	4.3	130.9	99.6	91.7	96.5
	8	125.6	4.9	131.7	99.8	91.0	91.7
	9	126.4	5.3	132.2	99.7	99.2	111.4
	10	126.9	5.5	132.3	99.4	98.0	110.2
	11	128.0	6.1	133.3	99.7	101.8	107.8
	12	129.2	6.8	134.2	99.9	107.1	103.8
2006	1	130.4	7.3	135.5	100.5	95.4	102.6
	2	130.4	6.9	136.0	100.4	90.5	102.4
	3	130.3	6.3	136.6	100.4	111.5	118.9
	4	130.1	5.7	136.6	100.0	99.8	112.7
	5	130.3	5.2	137.1	99.9	94.1	110.7
	6	130.7	4.9	137.5	99.8	94.2	98.6
	7	130.7	4.2	137.1	99.1	79.1	94.2
	8	131.1	3.9	137.8	99.2	85.9	93.4
	9	132.0	4.1	138.9	99.6	99.4	107.7
	10	133.1	4.4	141.1	100.7	99.4	103.5
	11	134.2	4.8	142.1	101.0	103.7	104.3
	12	134.7	4.7	142.4	100.8	100.4	101.4
2007	1	135.1	4.7	142.7	100.6	85.6	96.5
	2	135.9	4.9	143.4	100.7	87.5	93.4
	3	136.2	4.8	143.8	100.5	109.4	112.3
	4	137.2	5.1	144.5	100.6	105.8	107.7
	5	137.7	5.1	145.0	100.5	104.1	110.9
	6	138.9	5.6	146.2	100.9	100.2	105.6
	7	139.8	6.0	147.5	101.4	95.8	99.3
	8	140.7 <sup>P</sup>	6.3 <sup>P</sup>	148.6 <sup>P</sup>	101.7 <sup>P</sup>	94.4	102.5
	9	141.5 <sup>P</sup>	6.5 <sup>P</sup>	148.8 <sup>P</sup>	101.4 <sup>P</sup>	101.5	111.8
	10	142.7 <sup>P</sup>	6.9 <sup>P</sup>	149.3 <sup>P</sup>	105.3 <sup>P</sup>	108.3	116.3
	11	-	-	-	-	106.0	112.4
	12	-	-	-	-	-	103.4

P: Preliminary

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

## 9. Balance of payments (I) See graphs 5-1, 5-2, 5-3, 10-1 & 10-2

(million US\$)

Period	Current balance	Goods trade balance		Services trade balance	Income trade balance	Current transfers	
		Exports	Imports				
2004	28,173.5	37,568.8	253,844.7	224,462.7	-8,046.1	1,082.8	-2,432.0
2005	14,980.9	32,683.1	284,418.7	261,238.3	-13,658.2	-1,562.5	-2,481.5
2006 <sup>P</sup>	6,092.6	29,213.7	325,464.8	309,382.6	-18,762.9	-538.6	-3,819.5
2005 I	5,263.5	8,750.5	66,807.6	60,626.8	-3,114.4	166.4	-539.0
II	2,352.1	8,365.8	69,702.8	63,694.9	-3,368.7	-1,948.8	-696.2
III	2,198.2	7,234.8	71,097.7	66,228.3	-4,254.6	-97.3	-684.7
IV	5,167.1	8,332.0	76,810.7	70,688.3	-2,920.5	317.2	-561.6
2006 <sup>P</sup> I	-1,118.4	5,222.6	73,885.0	72,542.1	-4,996.2	-481.7	-863.0
II	692.0	7,413.7	81,473.4	76,719.7	-3,878.9	-1,648.0	-1,194.8
III	374.9	6,227.9	82,712.8	80,215.8	-5,384.7	608.6	-1,076.9
IV	6,144.1	10,349.5	87,393.7	79,905.1	-4,503.1	982.5	-684.8
2007 <sup>P</sup> I	-1,662.2	6,037.9	84,712.4	82,279.1	-6,180.1	-689.6	-830.4
II	34.4	6,970.2	92,991.0	87,792.8	-4,395.3	-1,543.1	-997.4
III	4,546.5	9,792.5	90,614.7	85,861.7	-5,884.1	1,663.8	-1,025.7
2006 <sup>P</sup> 1	91.2	1,478.2	23,257.9	23,089.3	-1,644.0	571.4	-314.3
2	-782.8	837.3	23,787.0	23,507.8	-1,808.2	418.9	-230.8
3	-426.8	2,907.1	26,840.1	25,945.0	-1,544.0	-1,472.0	-317.9
4	-1,608.1	1,883.9	25,590.1	24,485.8	-1,345.7	-1,876.5	-269.8
5	1,359.6	2,815.3	27,934.5	26,210.4	-1,354.5	387.1	-488.3
6	940.5	2,714.5	27,948.8	26,023.5	-1,178.7	-158.6	-436.7
7	-392.7	1,619.4	25,774.4	25,549.7	-1,744.0	44.4	-312.5
8	-638.3	1,443.2	27,287.2	27,029.5	-2,087.3	311.7	-305.9
9	1,405.9	3,165.3	29,651.2	27,636.6	-1,553.4	252.5	-458.5
10	1,759.9	2,685.5	28,016.0	25,621.8	-1,192.8	461.2	-194.0
11	4,237.5	5,712.6	30,602.3	26,765.1	-1,426.3	236.3	-285.1
12	146.7	1,951.4	28,775.4	27,518.2	-1,884.0	285.0	-205.7
2007 <sup>P</sup> 1	-428.1	1,292.1	28,097.2	27,592.9	-1,943.4	547.1	-323.9
2	402.1	2,387.3	26,226.7	25,411.4	-2,551.1	850.7	-284.8
3	-1,636.2	2,358.5	30,388.6	29,274.9	-1,685.6	-2,087.4	-221.7
4	-2,078.1	1,519.5	29,947.9	29,536.8	-1,396.1	-2,001.5	-200.0
5	839.1	2,239.0	31,046.3	29,780.4	-1,483.2	461.6	-378.3
6	1,273.4	3,211.7	31,996.8	28,475.6	-1,516.0	-3.2	-419.1
7	1,552.3	3,044.1	30,219.9	29,204.5	-1,688.2	533.5	-337.1
8	573.7	2,906.4	31,012.8	29,627.4	-2,445.2	444.3	-331.8
9	2,304.2	3,725.7	29,382.0	27,029.7	-1,750.7	686.0	-356.8
10	2,561.2	3,738.1	34,497.5	32,607.4	-1,416.5	502.9	-263.3

P: Preliminary

Source: The Bank of Korea & Korea Customs Service

## 10. Balance of payments (II) See graph 10-3

(million US\$)

Period	Capital & financial account					Changes in reserve assets	Errors and omissions
		Direct investment	Portfolio investment	Other investment	Capital transfers & acquisition of non-financial assets		
2004	7,598.8	4,588.3	8,619.3	-3,856.0	-1,752.8	-38,710.5	2,938.2
2005	4,756.5	2,010.4	-1,728.2	6,814.7	-2,340.4	-19,805.8	68.4
2006 <sup>P</sup>	18,618.7	-3,483.5	-22,543.6	47,679.1	-3,033.3	-22,111.7	-2,599.6
2005 I	4,141.5	-194.0	-1,278.2	6,125.5	-511.8	-9,513.7	108.7
II	2,257.6	1,249.7	-2,575.3	4,247.5	-664.3	-2,817.2	-1,792.5
III	-504.3	48.8	-147.5	256.8	-662.4	-2,300.1	606.2
IV	-1,138.3	905.9	2,272.8	-3,815.1	-501.9	-5,174.8	1,146.0
2006 <sup>P</sup> I	6,524.4	-1,306.7	1,436.2	7,083.8	-688.9	-5,679.3	273.3
II	3,684.4	780.4	-14,176.7	17,880.6	-799.9	-4,315.7	-60.7
III	4,773.7	-3,656.5	-7,395.3	16,479.6	-654.1	-3,615.4	-1,533.2
IV	3,636.2	699.3	-2,407.8	6,235.1	-890.4	-8,501.3	-1,279.0
2007 <sup>P</sup> I	5,313.6	-959.8	-10,492.9	17,580.4	-814.1	-3,998.3	346.9
II	6,442.1	-2,867.7	-27.2	10,023.0	-686.0	-6,250.1	-226.4
III	-3,326.5	-2,445.6	-9,169.6	8,858.8	-570.1	-2,495.6	-1,275.6
2006 <sup>P</sup> 1	3,628.2	-319.4	609.5	3,561.3	-223.2	-5,432.6	1,713.2
2	2,110.2	190.4	2,207.1	-92.7	-194.6	140.7	-1,468.1
3	786.0	-1,177.7	-1,380.4	3,615.2	-271.1	-387.4	28.2
4	4,862.8	585.2	-3,180.0	7,745.1	-287.5	-3,354.6	99.9
5	513.1	125.6	-7,880.1	8,509.1	-241.5	-495.6	-1,377.1
6	-1,691.5	69.6	-3,116.6	1,626.4	-270.9	-465.5	1,216.5
7	1,730.1	-114.2	-3,669.2	5,789.4	-275.9	-686.0	-651.4
8	1,234.9	-663.3	-4,448.2	6,511.4	-165.0	-959.8	363.2
9	1,808.7	-2,879.0	722.1	4,178.8	-213.2	-1,969.6	-1,245.0
10	-2,263.8	-57.9	-614.1	-1,328.7	-263.1	-956.2	1,460.1
11	436.0	126.1	-653.5	1,286.9	-323.5	-2,695.1	-1,978.4
12	5,464.0	631.1	-1,140.2	6,276.9	-303.8	-4,850.0	-760.7
2007 <sup>P</sup> 1	2,078.9	-208.9	-1,411.2	4,054.0	-355.0	-2,350.7	699.9
2	-404.0	-687.6	-1,940.7	2,427.6	-203.3	-1,134.7	1,136.6
3	3,638.7	-63.3	-7,141.0	11,098.8	-255.8	-512.9	-1,489.6
4	4,203.3	-388.2	3,808.0	1,029.3	-245.8	-1,878.4	-246.8
5	3,597.1	-311.3	529.6	3,613.2	234.4	-4,492.9	56.7
6	-1,358.3	-2,168.2	-4,364.8	5,380.5	-205.8	121.2	-36.3
7	537.1	-3.0	-6,925.0	7,692.6	-227.5	-2,421.6	332.2
8	-304.8	-1,372.5	-5,973.7	7,248.3	-206.9	-937.5	668.6
9	-3,558.8	-1,070.1	3,729.1	-6,082.1	-135.7	863.5	274.8
10	-1,912.9	-4,439.9	154.3	2,538.1	-165.4	-847.5	199.2

P: Preliminary  
Source: The Bank of Korea

## 11. Prices See graphs 11-1, 11-2 & 11-3

(2000 = 100)

Period	Consumer prices (2005=100)				Producer prices		Export & import prices	
	All Items	Commodity	Service	Core	All items	Commodity	Export	Import
2004	97.3	96.9	97.7	97.7	107.6	107.2	92.9	108.9
2005	100.0	100.0	100.0	100.0	109.9	109.8	86.7	112.0
2006	102.2	101.5	102.7	101.8	112.4	112.6	85.1	118.0
2006 1	101.1	101.1	101.1	100.6	110.9	110.7	83.8	115.0
2	101.3	101.1	101.4	100.8	110.9	110.7	82.5	113.7
3	101.9	101.1	102.3	101.4	111.0	110.9	83.3	114.3
4	102.0	101.3	102.5	101.5	111.8	111.9	83.6	117.2
5	102.2	101.6	102.6	101.9	112.5	112.8	84.7	119.7
6	102.0	101.0	102.7	101.9	112.5	112.9	86.2	120.7
7	102.4	101.5	103.0	102.1	113.0	113.5	87.1	123.3
8	103.0	103.0	103.1	102.2	113.9	114.7	89.1	125.3
9	103.3	103.1	103.4	102.2	114.2	114.9	87.3	119.1
10	102.8	101.8	103.4	102.2	113.1	113.3	85.9	116.9
11	102.3	100.7	103.4	102.3	112.5	112.4	84.1	115.1
12	102.6	101.2	103.6	102.5	112.6	112.5	83.6	115.4
2007 1	102.8	101.4	103.8	102.7	112.6	112.3	83.4	112.4
2	103.5	102.3	104.2	103.1	112.8	112.5	84.0	115.4
3	104.1	102.3	105.2	103.8	113.4	113.3	85.6	119.3
4	104.5	102.8	105.5	104.1	114.6	114.8	86.4	122.1
5	104.6	102.8	105.7	104.1	115.3	115.6	87.0	122.8
6	104.6	102.7	105.8	104.2	115.5	115.8	87.1	122.7
7	105.0	103.3	106.0	104.4	115.7	116.0	87.1	123.2
8	105.1	103.5	106.1	104.5	115.8	116.2	88.1	124.0
9	105.7	104.7	106.3	104.6	116.6	117.1	89.1	127.9
10	105.9	105.1	106.4	104.7	116.9	117.3	88.8	130.1
11	105.9	104.9	106.6	104.8	117.4	118.1	91.4	136.8
<i>Y-o-Y change (%)</i>								
2004	3.6	4.2	3.1	2.9	6.1	7.5	6.2	10.2
2005	2.8	3.2	2.4	2.3	2.1	2.4	-6.7	2.9
2006	2.2	1.5	2.7	1.8	2.3	2.6	-1.9	5.3
2006 1	2.2	2.5	2.0	1.3	2.1	2.3	-3.6	10.2
2	2.0	1.6	2.3	1.3	1.7	1.7	-4.9	8.5
3	2.0	1.2	2.3	1.4	1.4	1.3	-4.4	5.7
4	2.0	1.0	2.7	1.5	1.5	1.3	-4.0	6.1
5	2.3	1.8	2.7	1.8	2.6	2.8	0.6	11.3
6	2.4	2.0	2.8	1.9	3.2	3.9	1.3	9.2
7	2.4	1.7	2.9	2.1	2.8	3.4	-0.5	7.8
8	2.7	2.7	2.8	2.1	3.4	4.0	2.4	7.5
9	2.5	1.6	3.1	2.0	3.1	3.5	-1.7	0.2
10	2.2	0.7	3.1	2.0	1.9	1.9	-3.6	-1.4
11	2.1	1.0	2.9	2.1	1.9	1.9	-2.6	-0.3
12	2.1	0.8	2.9	2.1	2.2	2.4	-1.6	0.6
2007 1	1.7	0.3	2.7	2.1	1.5	1.4	-0.4	-2.3
2	2.2	1.2	2.8	2.3	1.7	1.6	1.9	1.5
3	2.2	1.2	2.8	2.4	2.2	2.2	2.7	4.4
4	2.5	1.5	2.9	2.6	2.5	2.6	3.4	4.2
5	2.3	1.2	3.0	2.2	2.5	2.5	2.7	2.6
6	2.5	1.7	3.0	2.3	2.7	2.6	1.1	1.6
7	2.5	1.8	2.9	2.3	2.4	2.2	0.0	-0.1
8	2.0	0.5	2.9	2.3	1.7	1.3	-1.1	-1.0
9	2.3	1.6	2.8	2.3	2.1	1.9	2.1	7.4
10	3.0	3.2	2.9	2.4	3.4	3.5	3.4	11.2
11	3.5	4.2	3.1	2.4	4.4	5.1	8.7	18.8

Source: Korea National Statistical Office & The Bank of Korea

## 12. Employment and earnings See graphs 8-1, 8-2 & 8-3

Period	Economically active persons (thous.)				Unemployment (%)	All industry earnings (won) (base year=2000)	
	Employed persons (thous.)			All industry		Manufacturing	
	All industry	Manufacturing	S.O.C&service				
2004	23,417	22,557	4,290	16,427	3.7	2,372,612	2,279,724
2005	23,743	22,856	4,234	16,789	3.7	2,524,917	2,458,022
2006	23,978	23,151	4,167	17,181	3.5	2,666,550	2,594,830
2006 1	23,340	22,471	4,201	16,893	3.7	2,865,004	2,803,400
2	23,365	22,412	4,184	16,763	4.1	2,451,498	2,376,782
3	23,769	22,848	4,179	16,986	3.9	2,481,580	2,322,720
4	24,088	23,242	4,188	17,186	3.5	2,504,830	2,424,268
5	24,267	23,484	4,170	17,293	3.2	2,356,038	2,201,426
6	24,320	23,501	4,184	17,294	3.4	2,685,520	2,580,407
7	24,270	23,447	4,180	17,303	3.4	2,646,200	2,596,198
8	23,972	23,164	4,114	17,099	3.4	2,607,031	2,531,654
9	24,096	23,330	4,135	17,248	3.2	2,796,266	2,648,830
10	24,253	23,463	4,183	17,294	3.3	2,690,402	2,681,556
11	24,225	23,458	4,137	17,467	3.2	2,409,143	2,226,062
12	23,773	22,989	4,153	17,348	3.3	3,502,448	3,745,800
2007 1	23,580	22,729	4,156	17,221	3.6	2,627,540	2,425,973
2	23,536	22,674	4,139	17,114	3.7	3,013,449	3,056,645
3	23,960	23,121	4,119	17,371	3.5	2,641,959	2,471,807
4	24,337	23,520	4,124	17,573	3.4	2,643,764	2,607,695
5	24,537	23,758	4,114	17,677	3.2	2,485,053	2,336,692
6	24,593	23,816	4,140	17,715	3.2	2,817,804	2,748,589
7	24,545	23,750	4,126	17,740	3.2	2,829,211	2,855,274
8	24,214	23,458	4,052	17,524	3.1	2,769,911	2,762,758
9	24,341	23,622	4,101	17,639	3.0	3,114,931	2,979,084
10	24,482	23,750	4,142	17,689	3.0	-	-
<i>Y-o-Y change (%)</i>							
2004	2.0	1.9	2.0	2.9	-	6.5	9.9
2005	1.4	1.3	-1.3	2.2	-	6.4	7.8
2006	1.0	1.3	-1.6	2.3	-	5.6	5.6
2006 1	1.2	1.8	-1.2	3.0	-	20.3	24.1
2	1.3	1.5	-1.7	2.5	-	-7.7	-11.8
3	1.0	1.2	-2.2	2.5	-	5.5	5.7
4	1.0	1.3	-1.9	2.9	-	5.3	4.1
5	0.9	1.2	-1.9	2.5	-	7.9	8.1
6	0.8	1.1	-1.6	2.2	-	4.1	3.4
7	0.8	1.1	-1.2	2.2	-	6.0	5.9
8	1.2	1.4	-1.3	2.3	-	5.9	5.3
9	0.7	1.2	-1.6	2.1	-	1.3	-0.2
10	0.8	1.2	-1.4	1.9	-	11.5	13.1
11	1.0	1.1	-1.4	1.9	-	5.6	6.1
12	1.1	1.3	-1.6	2.0	-	4.6	6.9
2007 1	1.0	1.1	-1.1	1.9	-	-8.3	-13.5
2	0.7	1.2	-1.1	2.1	-	22.9	28.6
3	0.8	1.2	-1.4	2.3	-	6.5	6.4
4	1.0	1.2	-1.5	2.3	-	5.5	7.6
5	1.1	1.2	-1.3	2.2	-	5.5	6.1
6	1.1	1.3	-1.0	2.4	-	4.9	6.5
7	1.1	1.3	-1.3	2.5	-	6.9	10.0
8	1.0	1.3	-1.5	2.5	-	6.2	9.1
9	1.0	1.3	-0.8	2.3	-	11.4	12.5
10	0.9	1.2	-1.0	2.3	-	-	-

Source: Korea National Statistical Office

## 13. Financial indicators See graphs 9-1 & 9-4

(period average)

Period	Yields (%)					Stock	
	Call rate (1 day)	CD (91 days)	Corporate bonds (3 years, AA-)	Treasury bonds (3 years)	Treasury bonds (5 years)	KOSPI (end-period)	
2005	1	3.3	3.5	4.1	3.7	3.9	932.70
	2	3.3	3.6	4.6	4.2	4.5	1,011.40
	3	3.3	3.6	4.5	4.0	4.3	965.70
	4	3.3	3.5	4.3	3.9	4.1	911.30
	5	3.3	3.5	4.1	3.7	3.9	970.20
	6	3.3	3.5	4.2	3.8	4.0	1,008.20
	7	3.3	3.5	4.5	4.1	4.4	1,111.30
	8	3.3	3.5	4.8	4.3	4.7	1,083.30
	9	3.3	3.7	4.9	4.5	4.8	1,221.00
	10	3.4	3.9	5.2	4.8	5.1	1,158.10
	11	3.5	4.0	5.5	5.1	5.4	1,297.40
	12	3.7	4.0	5.5	5.1	5.3	1,379.40
2006	1	3.7	4.2	5.5	5.0	5.3	1,399.80
	2	3.9	4.3	5.3	4.9	5.0	1,371.60
	3	4.0	4.3	5.3	4.9	5.1	1,359.60
	4	4.0	4.3	5.2	5.0	5.2	1,419.70
	5	4.0	4.4	5.1	4.8	4.9	1,371.70
	6	4.2	4.5	5.2	4.9	5.0	1,295.70
	7	4.2	4.6	5.2	4.9	5.0	1,297.80
	8	4.4	4.7	5.1	4.8	4.8	1,352.70
	9	4.5	4.6	5.0	4.7	4.8	1,371.40
	10	4.5	4.6	4.9	4.6	4.7	1,364.60
	11	4.5	4.6	5.1	4.7	4.8	1,432.20
	12	4.5	4.8	5.2	4.8	4.9	1,434.50
2007	1	4.6	4.9	5.3	5.0	5.0	1,360.20
	2	4.6	5.0	5.3	4.9	4.9	1,417.30
	3	4.6	4.9	5.2	4.8	4.8	1,452.60
	4	4.7	5.0	5.3	4.9	5.0	1,542.24
	5	4.6	5.0	5.5	5.1	5.1	1,700.91
	6	4.5	5.0	5.6	5.2	5.4	1,743.60
	7	4.7	5.1	5.8	5.4	5.4	1,933.27
	8	4.9	5.2	5.7	5.3	5.3	1,873.24
	9	5.0	5.3	5.9	5.4	5.4	1,946.48
	10	5.0	5.3	6.0	5.4	5.5	2,064.85
	11	5.0	5.4	6.2	5.5	5.6	1,906.00

Source: The Bank of Korea

## 14. Monetary indicators See graph 9-5

(period average)

(billion won)

Period	Reserve money	M1	M2	Lf
2004	37,272.4	306,842.5	929,640.6	1,260,547.1
2005	38,785.2	332,902.1	993,960.1	1,348,818.8
2006	41,664.0	330,134.1	1,076,682.4	1,454,858.8
2006 1	41,336.0	327,542.1	1,027,697.4	1,398,707.3
2	41,655.5	326,548.3	1,034,711.9	1,407,971.3
3	40,991.9	325,711.9	1,042,293.6	1,413,306.8
4	41,190.0	324,222.6	1,048,598.6	1,421,447.5
5	40,734.4	323,908.4	1,055,855.4	1,430,748.5
6	40,715.1	326,949.2	1,072,886.5	1,445,440.3
7	41,973.7	330,267.7	1,082,577.5	1,460,729.4
8	40,287.2	325,958.2	1,084,752.6	1,468,210.0
9	41,500.4	327,648.4	1,098,444.2	1,479,577.9
10	43,199.9	333,597.5	1,110,360.9	1,494,767.6
11	41,507.4	337,666.0	1,123,714.6	1,510,883.0
12	44,876.4	351,588.5	1,138,295.5	1,526,516.2
2007 1	47,851.4	353,494.2	1,143,814.9	1,536,010.8
2	49,493.5	350,734.7	1,154,108.8	1,547,512.8
3	48,936.8	335,446.8	1,162,429.3	1,557,701.9
4	47,485.3	305,602.5	1,165,291.0	1,564,339.3
5	48,092.5	301,184.5	1,171,148.4	1,575,635.4
6	47,914.3	302,511.7	1,190,080.2	1,596,407.1
7	47,500.5	302,375.6	1,200,892.7	1,606,424.5
8	47,823.9	298,066.1	1,208,052.8	1,618,788.3
9	48,870.6	299,048.0	1,219,265.1	1,631,969.6
10	49,370.6	297,999.3	1,229,742.1	1,649,987.5
<i>Y-o-Y change (%)</i>				
2004	4.2	8.3	4.6	6.1
2005	4.1	8.5	6.9	7.0
2006	7.4	-0.8	8.3	7.9
2006 1	9.0	1.7	7.3	7.2
2	5.0	-0.8	7.2	7.4
3	7.8	-2.7	6.6	7.0
4	8.6	-3.0	6.8	7.4
5	7.5	-2.3	7.1	7.6
6	7.6	-3.0	7.7	7.3
7	10.2	-4.7	7.7	7.3
8	4.3	-6.1	7.5	7.4
9	4.1	-5.6	9.0	7.9
10	8.7	-1.9	10.1	8.7
11	5.2	10.0	11.1	9.4
12	11.3	10.4	11.4	9.6
2007 1	15.8	7.9	11.3	9.8
2	18.8	7.4	11.5	9.9
3	19.4	3.0	11.5	10.2
4	15.3	-5.7	11.1	10.1
5	18.1	-7.0	10.9	10.1
6	17.7	-7.5	10.9	10.4
7	13.2	-8.4	10.9	10.0
8	18.7	-8.6	11.4	10.3
9	17.8	-8.7	11.0	10.3
10	14.3	-10.7	10.8	10.4

P: Preliminary

Source: The Bank of Korea

## 15. Exchange rates See graphs 9-2 & 9-3

Period	₩/US\$		₩/100 ¥		₩/Euro	
	End-period	Average	End-period	Average	End-period	Average
2004	1,043.8	1,144.7	1,012.1	1,058.7	1,423.0	1,422.9
2005	1,013.0	1,024.3	859.9	930.7	1,199.3	1,274.0
2006	929.6	955.5	781.8	821.5	1,222.2	1,199.3
2006 1	971.0	987.0	824.9	854.3	1,173.8	1,194.8
2	969.0	970.2	833.8	822.4	1,147.9	1,159.7
3	975.9	975.1	831.7	831.3	1,187.1	1,172.8
4	945.7	954.4	828.3	814.8	1,184.9	1,169.9
5	947.4	941.4	842.2	843.0	1,208.0	1,201.7
6	960.3	955.2	834.0	833.0	1,215.9	1,208.7
7	953.1	950.2	830.2	821.4	1,216.4	1,206.2
8	959.6	960.7	820.3	829.7	1,232.3	1,230.6
9	945.2	953.7	802.2	814.3	1,200.6	1,214.9
10	944.2	954.2	803.5	803.2	1,200.8	1,202.4
11	929.9	936.2	799.0	798.0	1,223.0	1,205.3
12	929.6	925.8	781.8	790.2	1,222.2	1,222.8
2007 1	940.9	936.4	773.1	777.9	1,220.1	1,217.0
2	938.3	937.0	793.9	776.8	1,241.9	1,225.1
3	940.3	943.3	797.0	804.8	1,253.9	1,249.4
4	929.4	931.5	778.3	783.7	1,266.9	1,257.7
5	929.9	927.9	764.8	768.5	1,249.0	1,254.1
6	926.8	928.3	752.4	757.1	1,246.0	1,244.9
7	923.2	918.9	774.6	755.6	1,266.9	1,260.0
8	939.9	933.8	809.9	799.8	1,282.3	1,272.4
9	920.7	932.4	796.7	810.6	1,302.9	1,291.2
10	907.4	915.9	791.1	790.7	1,309.9	1,303.3
11	929.6	917.0	846.5	826.2	1,371.8	1,345.6
<i>Y-o-Y change (%)</i>						
2004	-12.9	-4.0	-9.6	2.8	-5.3	5.5
2005	-3.0	-10.5	-15.0	-12.1	-15.7	-10.5
2006	-8.2	-6.7	-9.1	-11.7	1.9	-5.9
2006 1	-5.4	-4.9	-16.7	-15.1	-12.2	-12.4
2	-3.9	-5.1	-12.9	-15.6	-14.0	-13.1
3	-4.7	-3.2	-12.7	-13.2	-10.3	-11.7
4	-5.7	-5.6	-12.3	-13.6	-8.4	-10.6
5	-5.5	-6.1	-9.3	-10.3	-3.5	-5.5
6	-6.3	-5.5	-10.1	-10.4	-1.8	-1.7
7	-7.3	-8.4	-9.3	-11.4	-2.5	-3.5
8	-6.9	-5.9	-11.4	-10.0	-2.1	-1.9
9	-8.9	-7.4	-12.4	-12.2	-3.8	-3.7
10	-9.5	-8.8	-10.8	-11.8	-4.5	-4.4
11	-10.3	-10.1	-7.7	-9.3	0.3	-1.9
12	-8.2	-9.6	-9.1	-8.5	1.9	0.7
2007 1	-3.1	-5.1	-6.3	-8.9	3.9	1.9
2	-3.2	-3.4	-4.8	-5.5	8.2	5.6
3	-3.7	-3.3	-4.2	-3.2	5.6	6.5
4	-1.7	-2.4	-6.0	-3.8	6.9	7.5
5	-1.9	-1.4	-9.2	-8.8	3.4	4.4
6	-3.5	-2.8	-9.8	-9.1	2.5	3.0
7	-3.1	-3.3	-6.7	-8.0	4.2	4.5
8	-2.1	-2.8	-1.3	-3.6	4.1	3.4
9	-2.6	-2.2	-0.7	-0.5	8.5	6.3
10	-3.9	-4.0	-1.5	-1.5	9.1	8.4
11	-0.0	-2.1	5.9	3.5	12.2	11.6

Source: The Bank of Korea



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**Ministry of Commerce, Industry and Energy**

<http://english.mocie.go.kr>

**Ministry of Planning and Budget**

<http://www.mpb.go.kr/english.html>

**Financial Supervisory Commission/Financial Supervisory Service**

<http://www.fsc.go.kr/eng>

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<http://www.ftc.go.kr/eng>

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<http://english.molab.go.kr>

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