

Republic of Korea  
**ECONOMIC  
BULLETIN**

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Republic of Korea

# Economic Bulletin

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# The Green Book

## Current Economic Trends

### Overview

The Korean economy, while inflation continued to rise, stayed in a positive territory amid improving employment.

Employment in May continued to increase, adding 355,000 jobs, with growing number of regular jobs led by the private sector, while the hiring rate rose year-on-year to 60.1 percent.

Consumer price inflation accelerated month-on-month from 4.1 percent to 4.4 percent in June, despite drops in agricultural and petroleum product prices. Meanwhile, core consumer prices rose faster from 3.5 percent to 3.7 percent, as increasing demand from economic recovery pushed up the prices of processed food and dining out costs.

Mining and manufacturing production picked up in May, rising 1.7 percent from the previous month, in line with the industries under facility replacement or repair returning to normal operation. Service output grew 0.9 percent compared with the previous month, helped by increasing wholesale & retail sales and hotels & restaurants.

In May retail sales rose 1.0 percent month-on-month, as declining prices of agricultural and petroleum products lifted non-durable goods sales.

Facilities investment increased 14.1 percent month-on-month in May, thanks to rebounding transportation equipment investment. Construction investment gained 1.3 percent from the previous month, but shed 11.5 percent compared with the same period in the previous year.

Exports slowed down in June from the previous month's 22.4 percent rise to 14.5 percent, while the trade surplus widened from US\$2.2 billion to 3.3 billion, affected by decreasing prices of international commodities.

In May the cyclical indicator of the coincident composite index rose 0.3 percentage points month-on-month with most of the index's major components improving. The leading composite index climbed for the first time in four months, gaining 0.2 percentage points, as capital goods imports soared.

Uncertainties surrounding the financial market increased in June, as worries over a slowdown in global economic growth lingered and the possibility of the Greek fiscal crisis resurfaced.

While those in the Seoul metropolitan area slightly fell, both home prices and rent slowed down the pace of increase in June, affected by seasonal factors and prevailing wait-and-see attitudes.

The Korean government will closely monitor the economic situation, as there are growing uncertainties from outside such as a possible set-back in major economies and resurfacing worries over the European fiscal crisis.

Under these circumstances, the government will focus on stabilizing prices, particularly those rising as a result of inflation expectations such as dining out costs. On the other hand, the Korean government will renew its efforts to boost domestic demand and promote "shared growth", so that the economy can increase job creation capabilities and build a solid ground for sustainable development.

## 1. External economic situation

Although the recovery of the global economy is continuing, led by developing countries such as China, there is growing concern that the recovery might slow down as economic indicators for the US and other economies have dropped.

In June, the IMF lowered the 2011 global economic outlook to 4.3 percent from 4.4 percent in April. It cut the forecasts for advanced economies including the US, while revising up those for developing countries.

### IMF's economic forecast for 2011 (April → June, %)

2.4 → 2.2 (advanced countries), 2.8 → 2.5 (US), 1.6 → 2.0 (eurozone), 1.4 → -0.7 (Japan), 6.5 → 6.6 (developing countries), 9.6 → 9.6 (China)

## US

The US economic growth in the first quarter of 2011 has been revised up to 1.9 percent (*annualized q-o-q*), which is still less than 3.1 percent of the previous quarter.

Industrial production was weak in May with an increase of just 0.1 percent month-on-month due to difficulties in obtaining parts in the aftermath of the Japanese earthquake, but in June the ISM manufacturing index rebounded.

### ISM manufacturing index (base=50)

58.5 (Dec 2010) → 60.8 (Jan 2011) → 61.4 (Feb) → 61.2 (Mar) → 60.4 (Apr) → 53.5 (May) → 55.3 (Jun)

In April housing prices fell for the tenth consecutive month based on the S&P/Case-Shiller Home Price Index, slipping 0.1 percent month-on-month, and in May existing home sales fell with a drop of 3.8 percent month-on-month.

The recovery of the labor market lost momentum in May as the increase of non-farm payrolls slowed down, with a rise of 54,000 month-on-month, and the unemployment rate climbed to 9.1 percent.

### Non-farm payrolls (q-o-q, thousand)

152 (Dec 2010) → 68 (Jan 2011) → 235 (Feb) → 194 (Mar) → 232 (Apr) → 54 (May)

(Percentage change from previous period)

	2009		2010				2011 <sup>1</sup>			
	Annual	Annual	Q1	Q2	Q3	Q4	Q1	Mar	Apr	May
Real GDP <sup>2</sup>	-2.6	2.8	3.7	1.7	2.6	3.1	1.9	-	-	-
- Personal consumption expenditur	-1.2	1.8	1.9	2.2	2.4	4.0	2.2	-	-	-
- Corporate fixed investment	-17.1	5.6	7.8	17.2	10.0	7.7	2.0	-	-	-
- Housing construction investment	-22.9	-3.0	-12.3	25.7	-27.3	3.3	-2.0	-	-	-
Industrial production	-11.2	5.3	2.0	1.7	1.6	0.8	1.0	0.6	0.0	0.1
Retail sales	-7.0	6.4	2.1	1.0	0.9	3.0	2.5	0.8	0.3	-0.2
Existing home sales	5.2	-4.5	-12.3	7.5	-25.1	13.8	8.2	3.5	-1.8	-3.8
Unemployment Rate <sup>3</sup>	9.3	9.6	9.7	9.6	9.6	9.6	8.9	8.8	9.0	9.1
Consumer prices	-0.3	1.6	0.3	-0.1	0.4	0.7	1.3	0.5	0.4	0.2

1. Preliminary

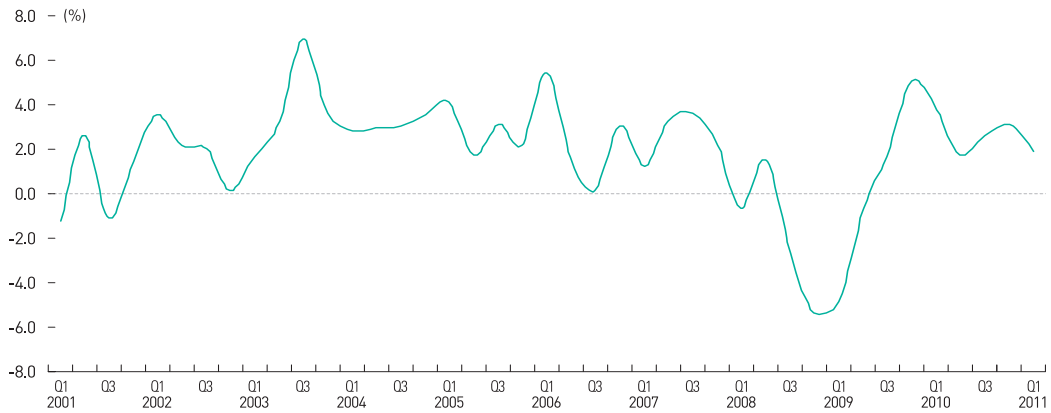
2. Annualized rate (%)

3. Seasonally adjusted

Source: US Department of Commerce

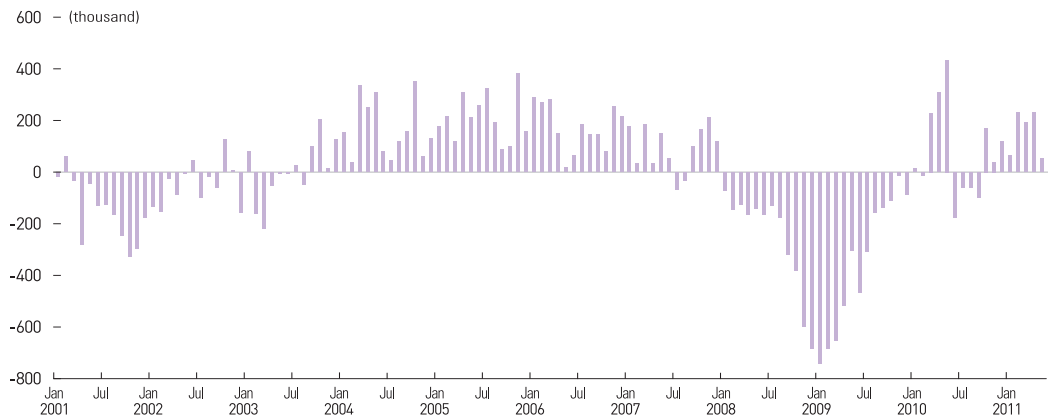
### 1-1 US GDP (q-o-q, annualized rate)

Source: US Department of Commerce



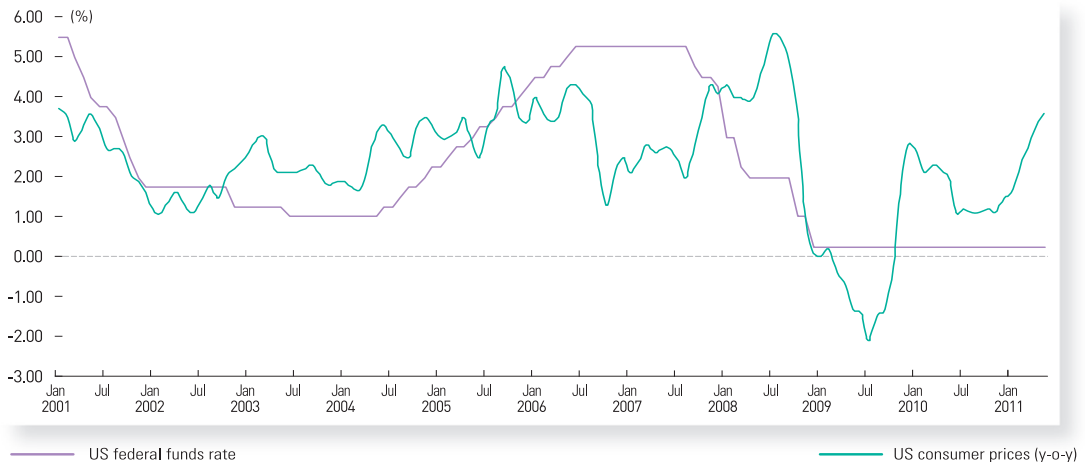
### 1-2 US non-farm payroll employment (m-o-m change)

Source: US Department of Labor



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

Source: US Federal Reserve Board & Department of Labor



## China

The solid growth of China's industrial production continued amid rising inflationary pressure as consumption and investment increased. Consumer prices climbed month-on-month in May from 5.3 percent in the previous month to 5.5 percent, as food prices rose affected by poor harvests in the southern part of the country, which suffered from a drought.

### Food prices (y-o-y, %)

9.6 (Dec 2010) ↻ 10.3 (Jan 2011) ↻ 11.0 (Feb) ↻ 11.7 (Mar) ↻ 11.5 (Apr) ↻ 11.7 (May)

(Percentage change from same period in previous year)

	2009	2010					2011 <sup>1</sup>			
	Annual	Annual	Q1	Q2	Q3	Q4	Q1	Feb	Mar	Apr
Real GDP	9.1	10.3	11.9	10.3	9.6	9.8	9.7	-	-	-
Industrial production <sup>2</sup>	11.0	15.7	19.6	16.0	13.5	13.3	14.9	14.8	13.4	13.3
Fixed asset investment (accumulated)	30.5	24.5	26.4	25.5	24.5	24.5	32.5	32.5	34.2	34.0
Retail sales	15.5	23.3	23.7	23.8	23.9	22.0	17.1	17.4	17.1	16.9
Exports	-16.0	31.3	28.7	40.9	32.2	24.9	26.4	35.8	29.9	19.4
Consumer prices <sup>2</sup>	-0.7	3.3	2.2	2.9	3.5	4.7	4.9	5.4	5.3	5.5
Producer prices <sup>2</sup>	-5.4	5.5	5.2	6.8	4.5	5.7	6.6	7.3	6.8	6.6

1. Preliminary

2. Quarterly change: average of monthly change

Source: China National Bureau of Statistics

## Japan

The Japanese economy slightly improved recently amid a recovery in exports and industrial production following the major earthquake. The Bank of Japan on June 14 revised up its assessment of the economy for the first time in four months, saying that the economy was under downward pressure but signs of improvement were appearing.

(Percentage change from previous period)

	2009	2010					2011 <sup>1</sup>			
	Annual	Annual	Q1	Q2	Q3	Q4	Q1	Mar	Apr	May
Real GDP	-6.3	4.0	1.5	0.5	0.8	-0.3	-0.9	-	-	-
Industrial production	-21.9	16.4	7.4	0.7	-1.1	-0.1	-2.0	-15.5	1.6	5.7
Retail sales (y-o-y)	-2.3	2.5	3.8	3.7	3.2	-0.4	-3.0	-8.5	-4.8	-1.3
Exports (y-o-y)	-33.1	24.4	43.2	33.2	17.8	10.0	2.4	-2.3	-12.4	-10.3
Consumer prices (y-o-y)	-1.4	-0.7	-1.2	-0.9	-0.8	0.1	0.0	0.0	0.3	0.3

1. Preliminary Source: Japan's Statistics Bureau and Statistics Centre, Ministry of Finance, Ministry of Economy, Trade and Industry

## Eurozone

Concern over the European financial crisis eased slightly as the upward trend of consumer prices slowed down in May and Greece's parliament on June 30 passed an austerity bill aimed at saving 23 billion euros between 2011 and 2015 as well as privatizing 50 billion euros worth of state assets. Eurozone finance ministers agreed on rules for existing and additional financial aid to Greece on June 20, while EU leaders did so at the June 23-24 summit.

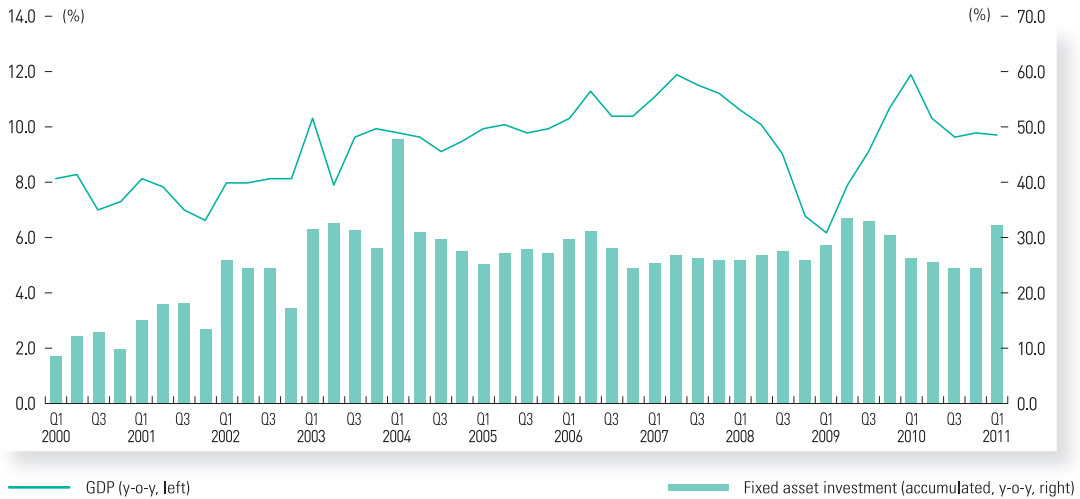
(Percentage change from previous period)

	2009	2010 <sup>1</sup>					2011 <sup>1</sup>			
	Annual	Annual	Q1	Q2	Q3	Q4	Q1	Mar	Apr	May
Real GDP	-4.0	1.7	0.4	1.0	0.3	0.3	0.8	-	-	-
Industrial production	-14.9	7.1	2.4	2.4	1.0	1.7	1.1	0.0	0.2	-
Retail sales	-2.2	0.7	0.4	0.1	0.4	0.3	-0.2	-0.9	0.7	-1.1
Exports (y-o-y)	-18.1	20.1	12.9	22.3	22.8	21.8	21.2	15.9	15.0	-
Consumer prices (y-o-y)	0.3	1.6	1.1	1.5	1.7	2.0	2.5	2.7	2.8	2.7

1. Preliminary Source: Eurostat

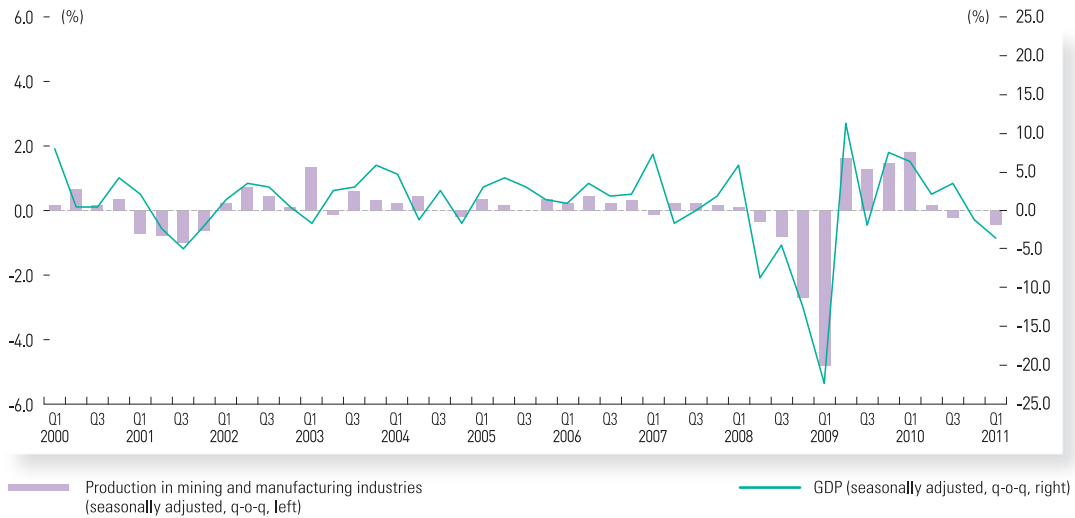
### 1-4 China's GDP and fixed asset investment

Source: National Bureau of Statistics of China



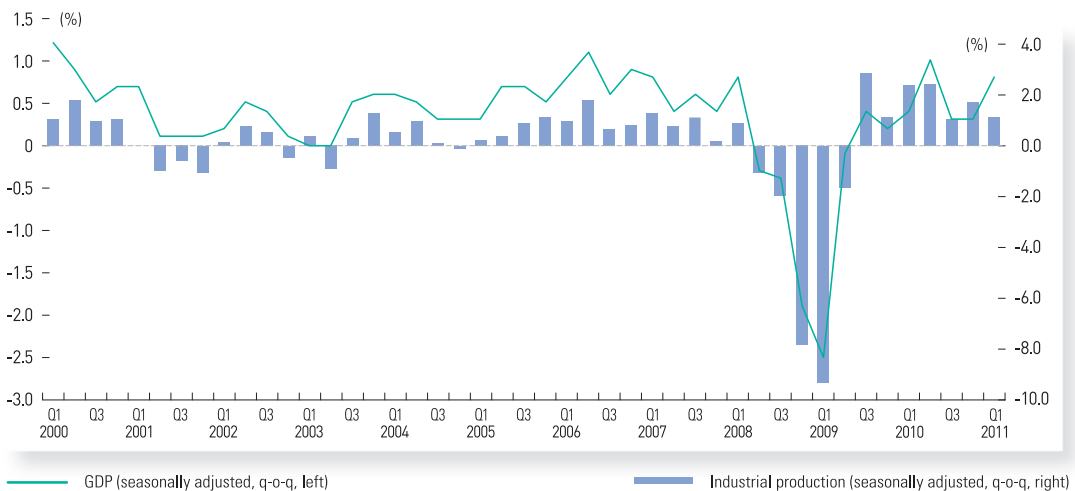
### 1-5 Japan's GDP growth

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



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

Source: Eurostat



## 2. Private consumption

Private consumption (*preliminary*) increased 0.4 percent quarter-on-quarter and 2.8 percent year-on-year in the first quarter of 2011, revised down from the advanced estimates of 0.5 percent quarter-on-quarter and 3.0 percent year-on-year.

(Percentage change from same period in previous year)

	2009					2010 <sup>1</sup>					2011 <sup>1</sup>
	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Q1
Private consumption <sup>2</sup>	0.0	-4.7	-1.1	0.4	5.6	4.1	6.6	3.5	3.6	2.9	2.8
(Seasonally adjusted) <sup>3</sup>	-	-0.3	3.7	1.4	0.9	-	0.5	0.7	1.4	0.3	0.4

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

Source: The Bank of Korea

Retail sales in May, despite a 4.1 percent drop in car sales, rose 1.0 percent month-on-month and 6.2 percent year-on-year, as sales of non-durable goods grew 2.3 percent backed by a price decrease in oil and agricultural products.

On a year-on-year basis, sales of durable and semi-durable goods expanded 19.9 percent and 5.4 percent, respectively, while those of non-durable goods reversed course with a gain of 0.2 percent from a 1.5 percent drop.

(Percentage change from same period in previous year)

	2009		2010				2011			
	Annual	Annual	Q1	Q2	Q3	Q4	Q1	Mar	Apr <sup>1</sup>	May <sup>1</sup>
Consumer goods sales	2.7	6.6	9.7	4.9	7.5	5.1	5.1	5.2	5.1	6.2
(Seasonally adjusted) <sup>2</sup>	-	-	0.6	-0.1	3.3	0.8	1.1	3.3	-1.0	1.0
- Durable goods <sup>3</sup>	8.2	14.9	29.6	5.6	17.0	10.6	12.9	15.3	15.8	19.9
· Automobiles	21.8	11.1	48.9	-2.1	12.0	0.1	10.2	19.0	13.9	13.3
- Semi-durable goods <sup>4</sup>	1.3	6.8	2.5	6.2	6.6	11.1	6.1	5.0	7.4	5.4
- Non-durable goods <sup>5</sup>	1.2	2.2	3.2	3.3	3.0	-0.7	0.8	0.1	-1.5	0.2

1. Preliminary

2. Percentage change from previous period

3. Durable goods: Automobiles, electronic appliances, furniture, telecommunications devices, etc.

4. Semi-durable goods: Clothing, footwear, etc.

5. Non-durable goods: Food, medicine, cosmetics, fuel, tobacco, etc.

Source: Statistics Korea

Sales at department stores and large discounters slipped 1.8 percent and 1.2 percent month-on-month, respectively, while those of specialized retailers and nonstore retailers climbed 2.3 percent and 1.9 percent, each. On a year-on-year basis, all sales categories of department stores, large discounters, specialized retailers and nonstore retailers continued to gain ground.

(Percentage change from same period in previous year)

	2009		2010				2011			
	Annual	Annual	Q1	Q2	Q3	Q4	Q1	Mar	Apr <sup>1</sup>	May <sup>1</sup>
- Department stores	4.3	8.8	7.5	9.2	7.4	10.5	11.5	10.4	13.5	8.0
- Large discounters	-2.2	4.4	5.4	4.1	7.6	0.8	3.5	2.2	7.5	4.1
- Specialized retailers <sup>2</sup>	3.0	5.6	9.7	1.8	7.3	4.2	4.3	4.4	2.5	5.6
- Nonstore retailers	8.7	15.6	20.1	17.9	11.4	13.5	11.5	12.7	10.2	12.0

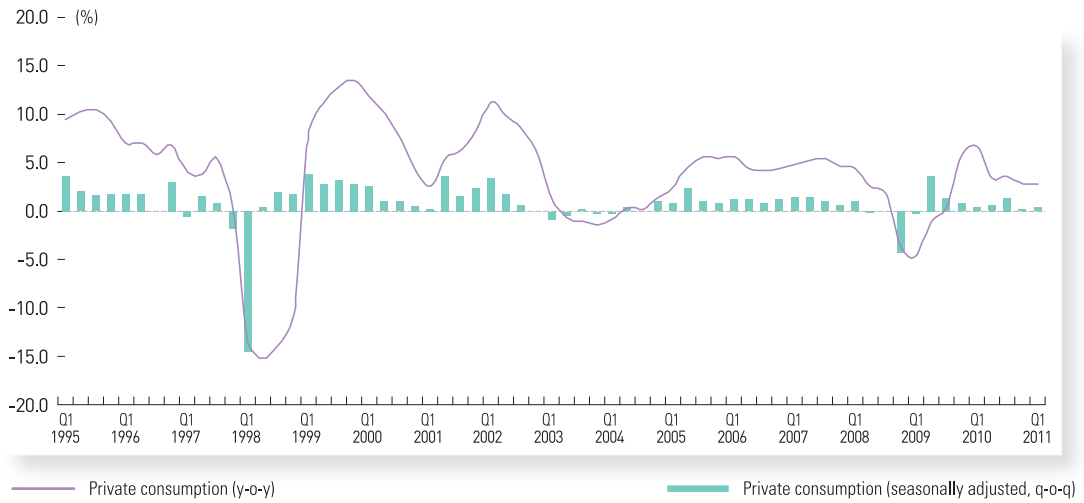
1. Preliminary

2. Specialized retailers are defined as stores carrying a few (1 to 3) specialized items.

Source: Statistics Korea

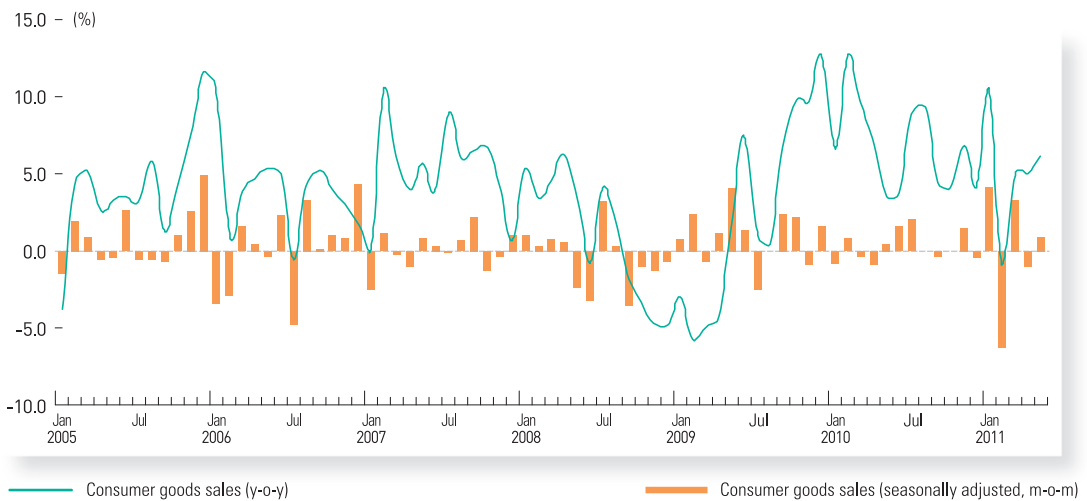
## 2-1 Private consumption

Source: The Bank of Korea (national accounts)



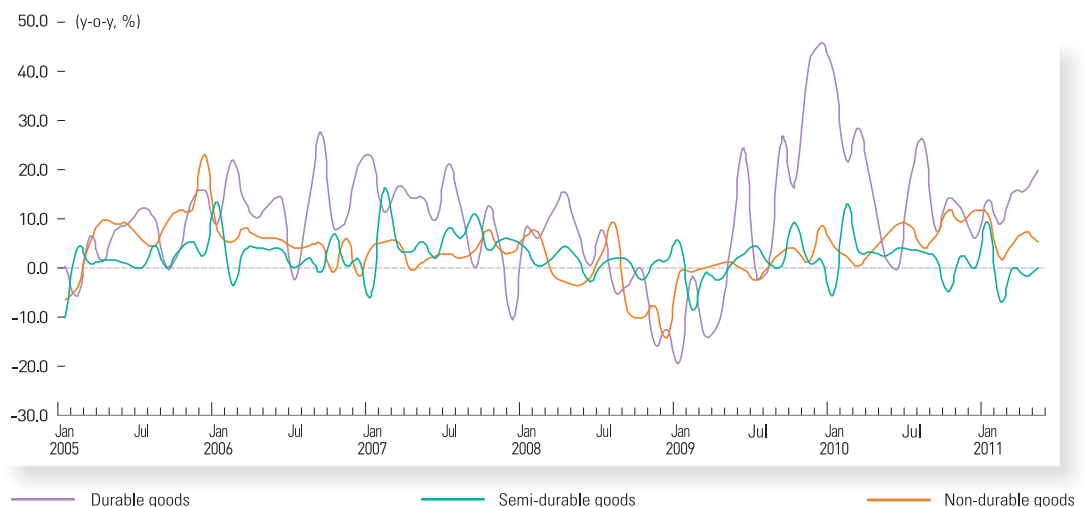
## 2-2 Consumer goods sales

Source: Statistics Korea (industrial activity trend)



## 2-3 Consumer goods sales by type

Source: Statistics Korea (industrial activity trend)



Sales of consumer goods are expected to grow considering a recovery in employment, which raises purchasing power.

**Employment** (y-o-y, thousands)

455 (Dec 2010) ➔ 331 (Jan 2011) ➔ 469 (Feb) ➔ 469 (Mar) ➔ 379 (Apr) ➔ 355 (May)

The consumer sentiment index declined slightly compared to the previous month but hovered above the benchmark of 100 for the second consecutive month, and the consumer spending plan remained at a relatively high level.

**Consumer Sentiment Index** (CSI, base=100)

109 (Dec 2010) ➔ 108 (Jan 2011) ➔ 105 (Feb) ➔ 98 (Mar) ➔ 100 (Apr) ➔ 104 (May) ➔ 102 (Jun)

**Consumer Spending Plan** (base=100)

112 (Dec 2010) ➔ 114 (Jan 2011) ➔ 112 (Feb) ➔ 109 (Mar) ➔ 110 (Apr) ➔ 110 (May) ➔ 109 (Jun)

However, retail sales are not expected to rise significantly in June considering advanced indicators and poor weather conditions such as the rainy season and typhoons.

Advanced indicators of domestic credit card use and car sales have been rising, while gasoline sales have dropped continuously from the effect of high oil prices, and department store sales has slowed down as weather conditions worsen.

**Credit card use** (y-o-y, %)

16.9 (Jan 2011) ➔ 10.8 (Feb) ➔ 13.1 (Mar) ➔ 16.3 (Apr) ➔ 21.1 (May) ➔ 19.8 (Jun<sup>1</sup>)

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

24.0 (Jan 2011) ➔ 5.2 (Feb) ➔ 13.1 (Mar) ➔ 15.1 (Apr) ➔ 8.7 (May) ➔ 7.4 (Jun<sup>1</sup>)

**Large discounter sales** (y-o-y, %)

21.4 (Jan 2011) ➔ -10.9 (Feb) ➔ 1.9 (Mar) ➔ 4.6 (Apr) ➔ 2.4 (May) ➔ 2.5 (Jun<sup>1</sup>)

**Domestic sales of gasoline** (y-o-y, %)

5.6 (Jan 2011) ➔ 5.7 (Feb) ➔ -2.4 (Mar) ➔ -4.7 (Apr) ➔ -2.6 (May) ➔ -3.2 (Jun<sup>1</sup>)

**Domestic sales of cars** (y-o-y, %)

1.3 (Jan 2011) ➔ 1.1 (Feb) ➔ 8.4 (Mar) ➔ 3.0 (Apr) ➔ 3.7 (May) ➔ 6.0 (Jun<sup>1</sup>)

**Consumer goods imports** (y-o-y, %)

44.0 (Jan 2011) ➔ 22.6 (Feb) ➔ 32.1 (Mar) ➔ 30.0 (Apr) ➔ 28.1 (May)

1. Preliminary

Source: Ministry of Knowledge Economy

The Credit Finance Association

Korea National Oil Corporation

The Korea Customs Service

Korea Automobile Manufacturers Association

Ministry of Strategy and Finance (for June data)

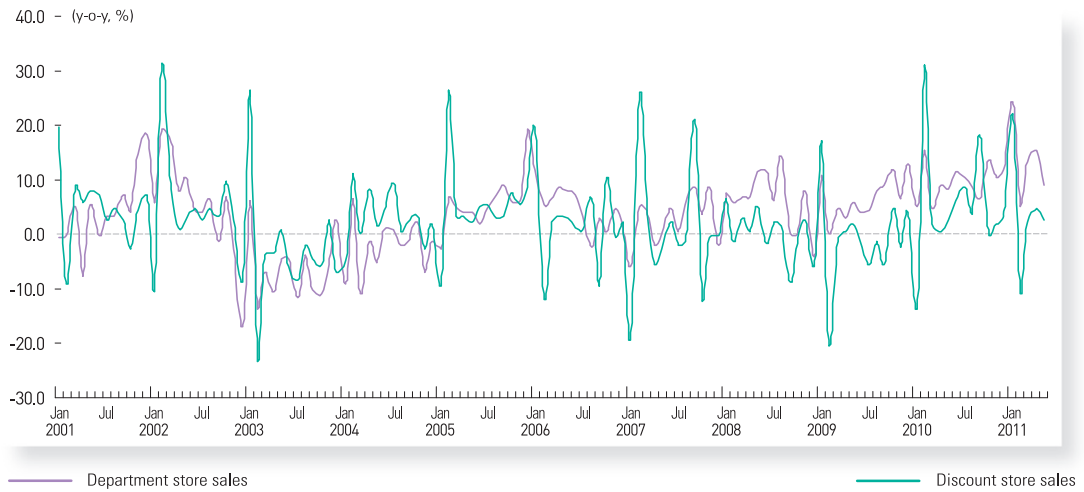
Although global uncertainties have abated slightly with oil prices stabilizing recently and concerns over the European financial crisis easing, they still linger and may possibly affect consumer sentiment.

**Dubai crude** (US\$/barrel)

88.9 (Dec 2010) ➔ 92.5 (Jan 2011) ➔ 100.2 (Feb) ➔ 108.5 (Mar) ➔ 115.8 (Apr) ➔ 108.0 (May) ➔ 107.5 (Jun)

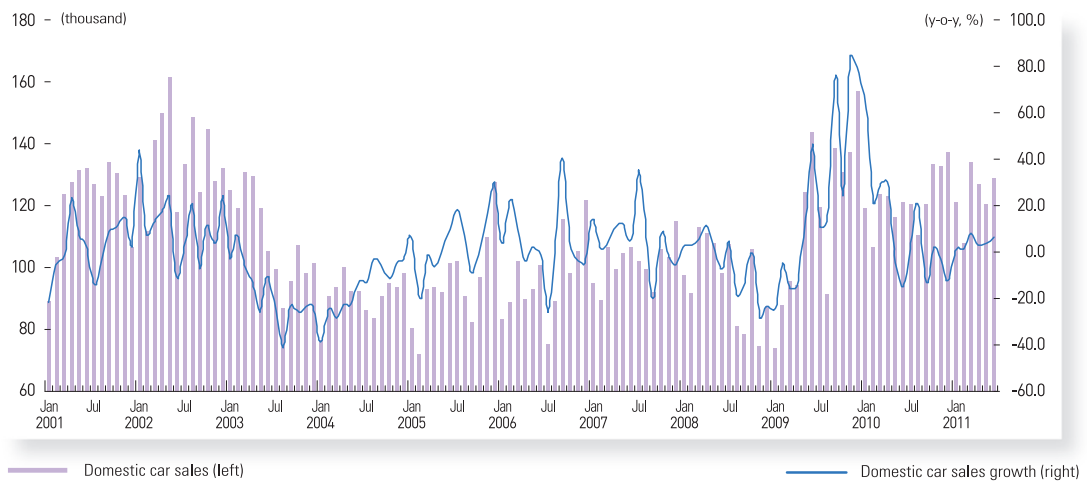
## 2-4 Department store and discount store sales (current value)

Source: Ministry of Knowledge Economy (monthly retail sales)



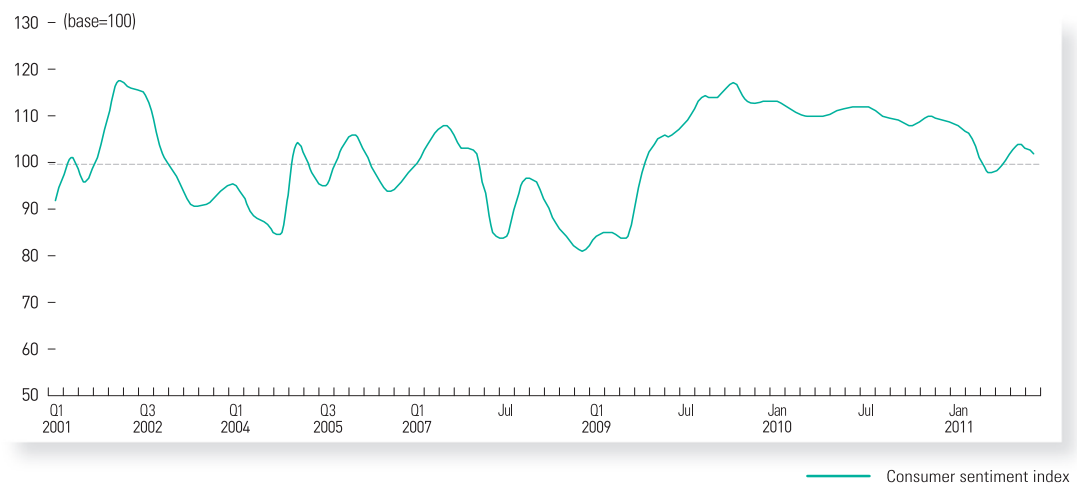
## 2-5 Domestic automobile sales

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



## 2-6 Consumer sentiment index

Source: The Bank of Korea



### 3. Facility investment

Facility investment (*preliminary GDP*) in the first quarter of 2011 posted a quarter-on-quarter decrease of 1.1 percent and a year-on-year gain of 11.7 percent.

(Percentage change from same period in previous year)

	2009			2010 <sup>1</sup>					2011 <sup>1</sup>
	Annual	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Q1
Facility investment <sup>2</sup>	-9.8	-9.4	12.2	25.0	29.1	30.5	26.6	15.9	11.7
(Seasonally adjusted) <sup>3</sup>	-	9.1	7.8	-	2.8	7.9	5.6	-1.0	-1.1
- Machinery	-13.5	-18.1	10.1	30.8	30.0	35.3	38.9	20.5	13.9
- Transportation equipment	2.8	24.4	19.1	6.7	24.2	15.6	-6.6	0.6	3.2

1. Preliminary 2. National accounts 3. Percentage change from previous period  
Source: The Bank of Korea

Facility investment in May rose 14.1 percent month-on-month and 10.5 percent year-on-year, thanks to strong investment in both machinery and transportation equipment. Facility investment is projected to be on the rise, as global and domestic economic conditions have been improving, corporate confidence growing, and leading indicators staying on an upward trend. However, there are continuing external uncertainties such as the European fiscal crisis, by which the index may be influenced.

(Percentage change from same period in previous year)

	2009	2010					2011			
	Annual	Annual	Q1	Q2	Q3	Q4	Q1	Mar	Apr <sup>1</sup>	May <sup>1</sup>
Facility investment	-9.4	25.1	30.0	29.5	29.3	13.6	6.6	0.5	-0.3	10.5
(Seasonally adjusted) <sup>2</sup>	-	-	4.0	6.7	7.2	-5.4	-0.2	3.5	-5.1	14.1
- Machinery	-12.6	30.5	32.5	37.1	37.4	17.1	6.8	-1.7	5.4	11.4
- Transportation equipment	4.6	4.3	19.3	2.8	-0.1	-1.2	5.6	11.0	-26.5	6.5
Domestic machinery orders	-10.3	11.2	10.3	24.7	-0.2	11.3	19.5	14.4	6.6	-3.1
(Seasonally adjusted) <sup>2</sup>	-	-	-4.0	15.2	-3.6	4.1	3.6	2.7	-6.4	5.9
- Public	62.4	-37.9	-43.7	-42.2	-71.7	31.4	-10.3	-6.3	-19.6	60.5
- Private	-18.2	21.8	22.6	35.5	22.0	7.8	22.7	17.1	8.6	-6.6
Machinery imports	-16.6	40.4	48.3	51.3	40.0	26.3	7.9	5.8	3.5	26.9
Manufacturing operation ratio	-3.5	8.8	19.2	10.8	1.8	5.3	2.6	1.0	-1.4	1.0
Facility investment adjustment pressure <sup>3</sup>	-3.7	9.5	20.4	12.1	3.4	4.6	4.1	2.9	0.6	2.9

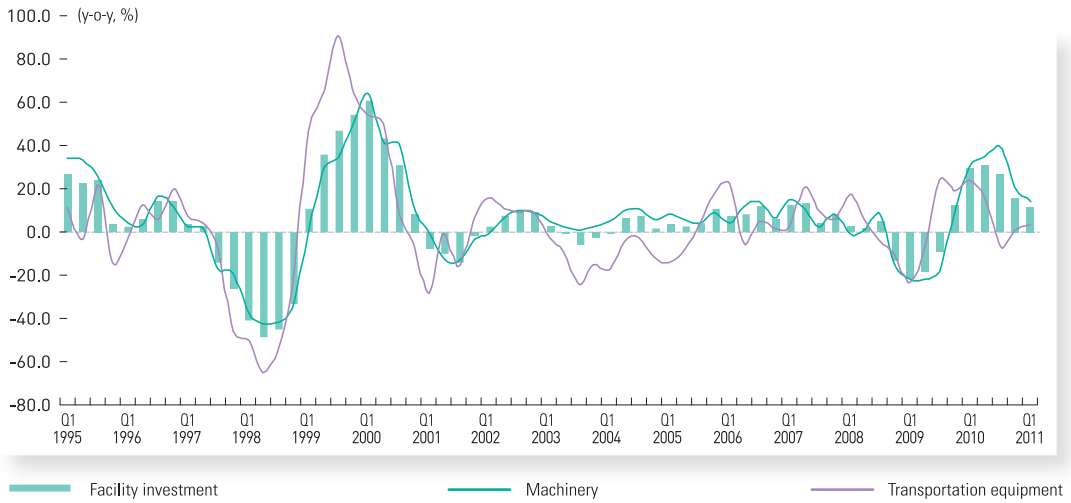
1. Preliminary  
2. Percentage change from previous period  
3. Production growth rate minus production capacity growth rate in the manufacturing sector (%p)  
Sources: Statistics Korea, the Korea International Trade Association (machinery imports data)

	2011					
	Feb	Mar	Apr	May	Jun	Jul
Business survey indices (base=100) for manufacturing facility investment projections	104	104	102	103	102	103

Source: The Bank of Korea

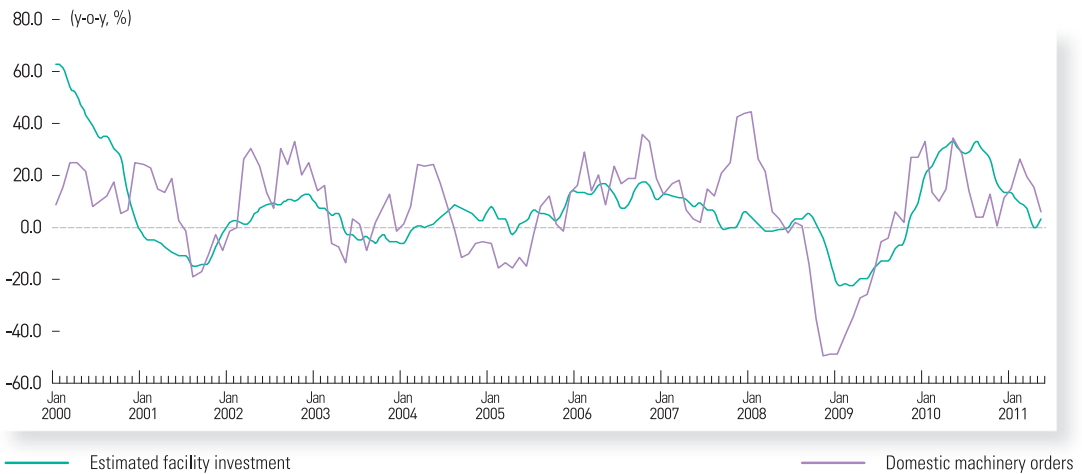
### 3-1 Facility investment by type

Source: The Bank of Korea (national accounts)



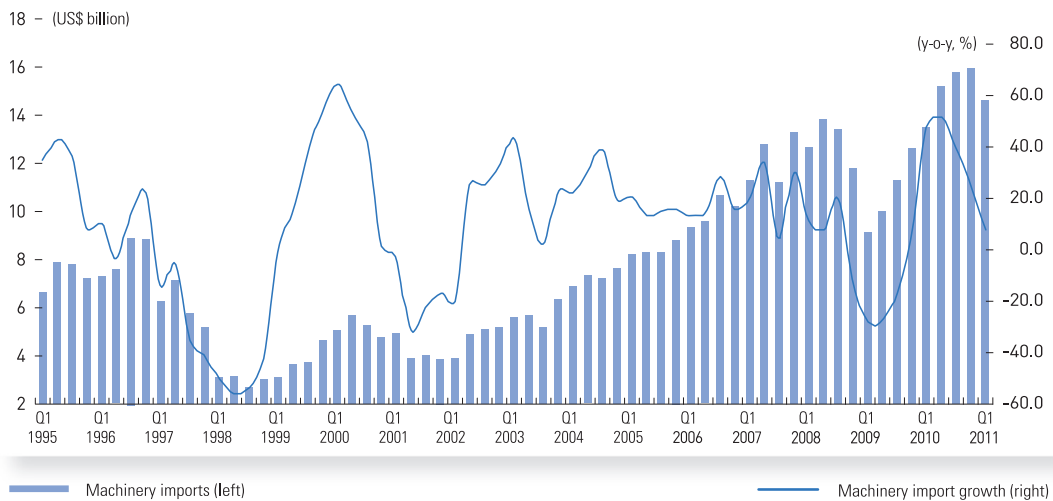
### 3-2 Machinery orders and estimated facility investment (3-month average)

Source: Statistics Korea (industrial activity trend)



### 3-3 Machinery imports

Source: Korea International Trade Association (KITA)



## 4. Construction investment

Construction investment (*preliminary GDP*) in the first quarter of 2011 fell 6.7 percent quarter-on-quarter and 11.9 percent year-on-year.

(Percentage change from same period in previous year)

	2009			2010 <sup>1</sup>					2011 <sup>1</sup>
	Annual	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Q1
Construction investment <sup>2</sup>	3.4	3.2	4.0	-1.4	4.3	-2.3	-3.1	-2.9	-11.9
(Seasonally adjusted) <sup>3</sup>	-	-1.2	0.7	-	2.0	-4.2	-0.8	-1.0	-6.7
- Building construction	-2.3	0.2	2.4	-2.9	4.5	-5.1	-6.3	-2.8	-11.3
- Civil engineering works	11.6	8.2	5.6	0.5	4.0	1.0	1.7	-2.9	-12.7

1. Preliminary

2. National accounts

3. Percentage change from previous period

Source: The Bank of Korea

The value of construction completion (*constant*) in May, due to stagnant building construction and civil engineering works, fell 11.5 percent year-on-year, while rising 1.3 percent month-on-month.

(Percentage change from same period in previous year)

	2009		2010				2011 <sup>1</sup>			
	Annual	Annual	Q1	Q2	Q3	Q4	Q1 <sup>1</sup>	Mar <sup>1</sup>	Apr <sup>1</sup>	May <sup>1</sup>
Value of construction completion(constant)	1.6	-3.3	3.4	-4.3	-6.8	-4.3	-12.7	-8.1	-10.2	-11.5
(Seasonally adjusted) <sup>2</sup>	-	-	2.6	-3.1	-4.3	-1.6	-4.6	14.7	-9.1	1.3
- Building construction	-6.4	-7.1	1.5	-7.7	-12.3	-8.5	-15.2	-11.0	-10.1	-13.4
- Civil engineering works	16.1	2.2	6.0	0.6	1.9	1.2	-9.2	-4.2	-10.3	-9.0
Construction orders (current value)	5.0	-18.7	-1.6	-6.7	-3.6	-40.2	-12.8	13.7	-2.7	-22.5
(Seasonally adjusted) <sup>2</sup>	-	-	-31.4	0.2	-1.4	-22.9	12.8	22.0	-9.9	-5.4
- Building construction	-14.2	-9.9	8.3	55.3	-1.3	-46.4	-9.7	61.5	2.4	-20.5
- Civil engineering works	44.3	-29.5	-12.4	-49.7	-7.0	-29.9	-17.0	-24.7	-12.8	-28.4
Building permit area	-12.9	19.3	12.1	47.4	-14.3	18.1	21.5	5.2	0.7	3.5

1. Preliminary

2. Percentage change from previous period

Source: Statistics Korea, the Ministry of Land, Transport and Maritime Affairs

Construction investment is likely to be sluggish for a while, given poor construction orders and other leading indicators. Still, with investment sentiment of construction companies improving and recovery signs detected in the housing market, particularly in that of provincial regions, it is necessary to closely watch how the situation will develop.

	2011				
	Feb	Mar	Apr	May	Jun
Business survey indices (base=100) for construction projections	87.0	80.5	59.1	74.6	80.4

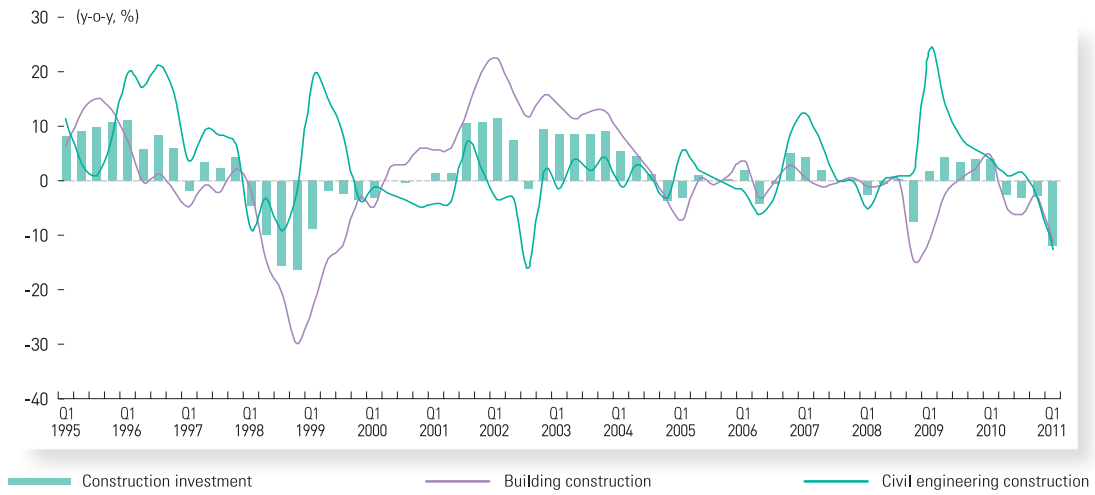
Source: The Construction and Economy Research Institute of Korea

(thousand)

	2008	2009	2010	2011	
	Dec	Dec	Dec	Apr	May
Number of unsold homes in provincial regions	139	98	59	47	44

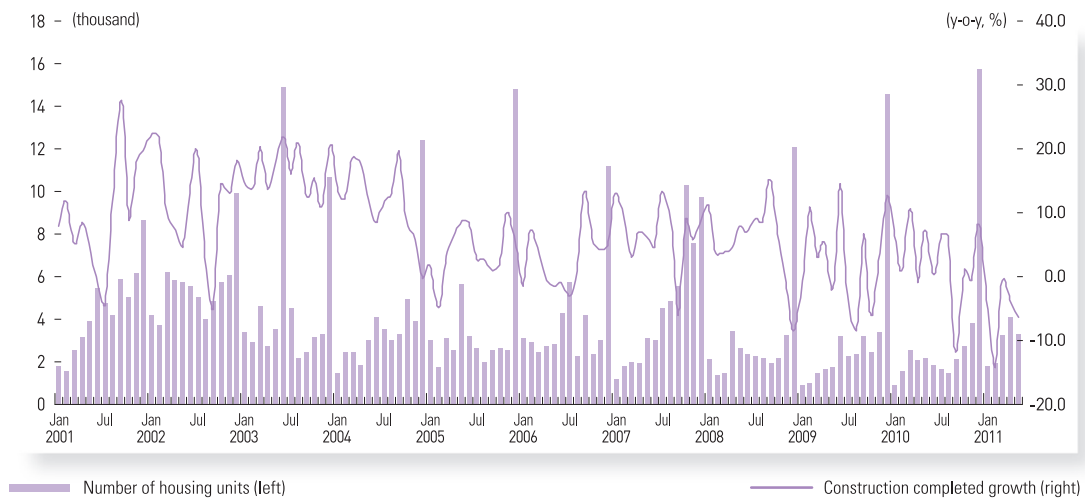
#### 4-1 Construction investment

Source: The Bank of Korea (national accounts)



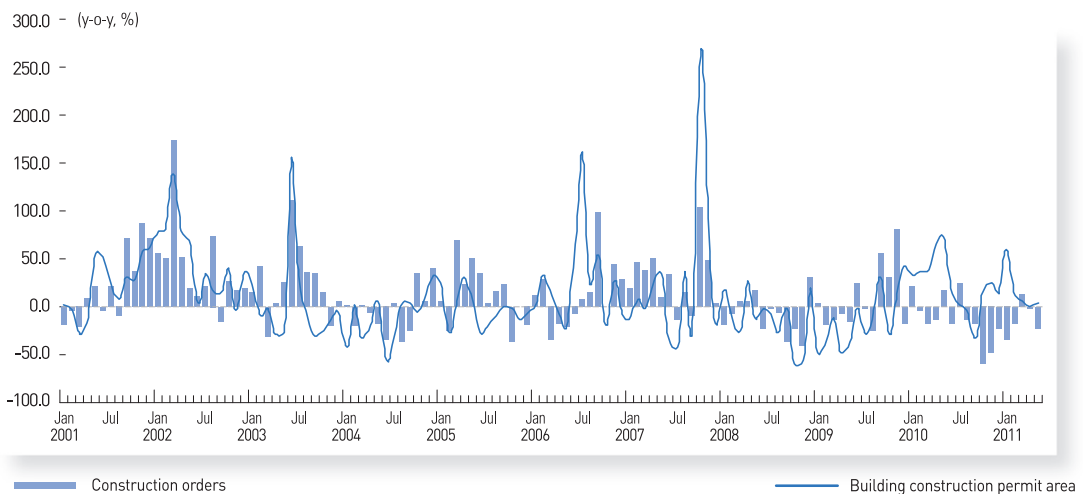
#### 4-2 Construction completed and housing construction

Source: Statistics Korea (construction completed)  
Kookmin Bank (housing construction)



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

Source: Statistics Korea (construction orders)  
Ministry of Land, Transport and Maritime Affairs (building construction permit area)



## 5. Exports and imports

Exports in June increased 14.5 percent (*preliminary*) year-on-year to US\$48.15 billion.

Exports rose at a slower pace compared with the previous month, mostly due to a high base effect from the same period in the previous year when vessel exports soared month-on-month to US\$6.34 billion from US\$4.21 billion.

With vessel exports excluded, which usually fluctuate, year-on-year exports increased at a faster rate than the previous month, while average daily exports posted similar year-on-year gains to a month ago.

	2011			
	Mar	Apr	May	Jun
Exports excluding vessels (y-o-y, %)	25.7	20.3	22.7	23.8
Average daily exports excluding vessels (US\$ billion)	1.79	1.80	1.93	1.92

By business category, exports of petroleum products (*up 61.8%*), automobiles (*up 34.4%*), and steel (*up 31.9%*) surged, while those of semiconductors (*down 2.8%*) decreased due to a drop in unit prices.

By regional category, exports to Japan (*up 48.1%*), the ASEAN countries (*up 27.0%*), and China (*up 17.4%*) jumped, while those to the EU (*up 9.7%*) fell in line with a decrease in vessel exports, which take up large portion in the exports to the area.

(US\$ billion)

	2009		2010				2011			
	Annual	Annual	Q1	Q2	Q3	Q4	Q1	Apr	May	Jun <sup>1</sup>
Exports	365.53	466.38	101.08	120.24	116.32	128.75	131.01	48.60	47.58	48.15
(y-o-y, %)	-13.9	28.3	35.8	33.1	22.7	23.8	29.6	23.7	22.4	14.5
Average daily exports	1.30	1.70	1.51	1.76	1.72	1.79	1.99	2.06	2.16	2.09
Imports	323.08	425.21	98.16	105.63	105.70	115.73	123.62	44.06	45.40	44.90
(y-o-y, %)	-25.8	31.6	37.4	42.8	24.6	24.6	25.9	24.0	30.3	27.4
Average daily imports	11.6	1.46	0.47	1.54	1.57	1.61	1.87	1.87	2.06	1.95

1. Preliminary

Source: Korea Customs Service

Imports in June increased 27.4 percent (*preliminary*) year-on-year to US\$44.90 billion.

Imports and average daily imports slightly fell month-on-month with the prices of raw materials stabilizing, while soaring year-on-year.

The current account balance in June posted a surplus of US\$3.25 billion (*preliminary*), accelerating an increase from the previous month.

(US\$ billion)

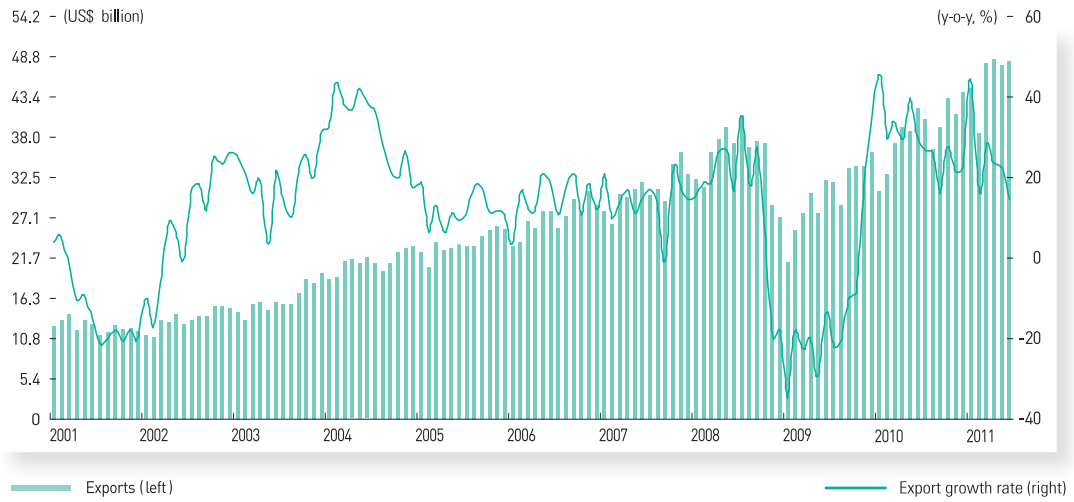
	2009		2010				2011			
	Annual	Annual	Q1	Q2	Q3	Q4	Q1	Apr	May	Jun <sup>1</sup>
Trade Balance	40.45	41.17	2.93	14.61	10.62	13.02	7.39	4.54	2.18	3.25

1. Preliminary

Source: Korea Customs Service

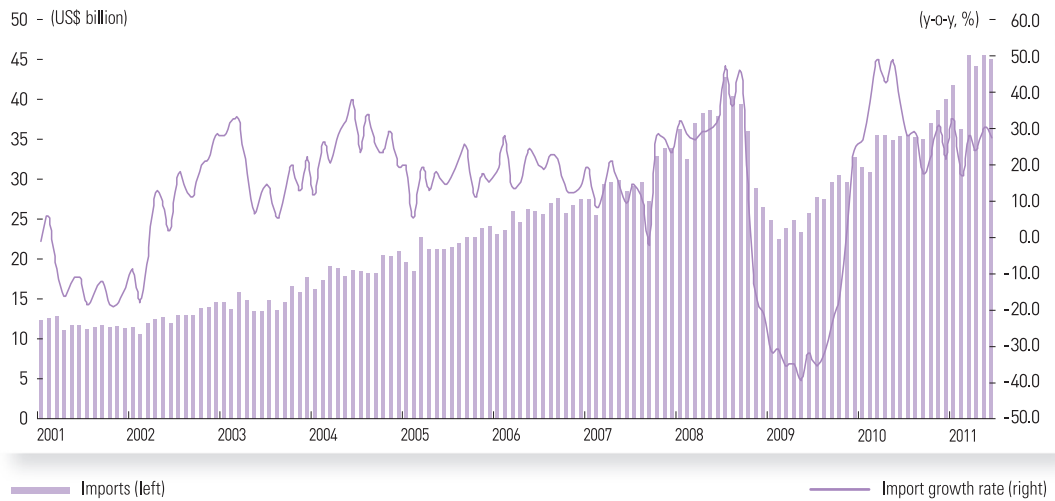
### 5-1 Exports (customs clearance basis)

Source: Korea Customs Service & Ministry of Knowledge Economy (export and import trend)



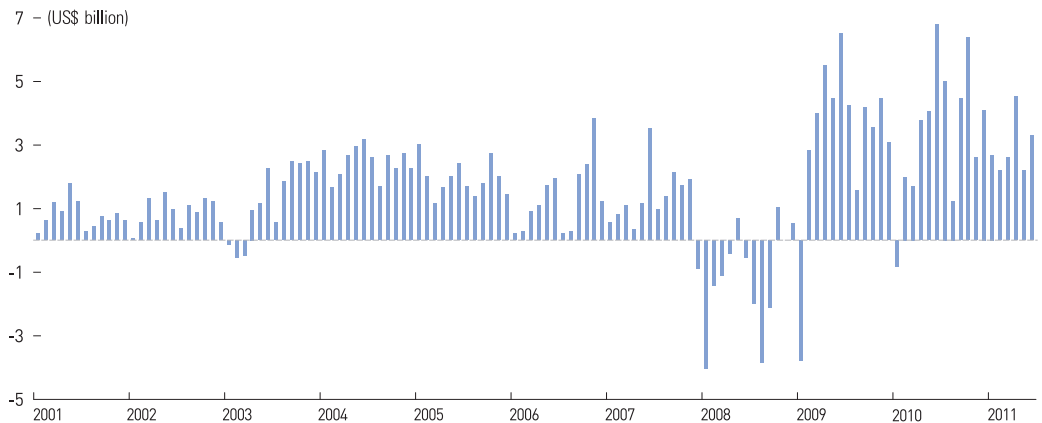
### 5-2 Imports (customs clearance basis)

Source: Korea Customs Service & Ministry of Knowledge Economy (export and import trend)



### 5-3 Trade balance

Source: Korea Customs Service & Ministry of Knowledge Economy (export and import trend)



## 6. Mining and manufacturing production

Mining and manufacturing production in May rose 1.7 percent month-on-month and 8.3 percent year-on-year, backed by growing demand for semiconductors and with automobile and chemical industries returning to normal operation after the facility repair and replacement.

By business category, machinery (*up 4.7%*) and semiconductors and parts (*up 2.2%*) increased month-on-month, while other transportation equipment (*down 3.1%*) and non-metal ores (*down 2.0%*) went down.

The manufacturing inventory-shipment ratio fell month-on-month in two months, as the increase in shipments (*up 1.0%*) outpaced that in inventories (*up 0.4%*).

By business category, the shipments of machinery (*up 4.3%*) and chemical products (*up 4.2%*) increased month-on-month, while those of groceries (*down 4.5%*) and metals (*down 1.3%*) declined. The inventories of electric equipment (*up 8.6%*) and primary metals (*up 2.9%*) climbed month-on-month, while those of audio-visual communications equipment (*down 18.7%*) and refined petroleum (*down 6.3%*) fell.

The average operation ratio of the manufacturing sector gained 1.0 percentage point to 81.4 percent, 3.1 percentage points higher than the average of 78.3 percent between 2000 and 2010.

(Percentage change from same period in previous year)

		2010				2011			
		Annual	Q1	Q4	May	Q1	Mar	Apr <sup>1</sup>	May <sup>1</sup>
Mining and manufacturing activity <sup>2</sup>	Production (q-o-q, m-o-m)	-	4.9	-0.5	2.0	6.1	1.8	-1.7	1.7
	(y-o-y)	16.2	25.4	11.7	20.6	10.6	9.1	6.9	8.3
	- Manufacturing	16.7	26.6	12.0	21.2	10.9	9.4	7.1	8.5
	· ICT <sup>3</sup>	25.2	45.9	15.2	27.3	14.3	9.1	12.4	12.5
	· Automobiles	23.1	48.8	10.2	37.2	16.1	11.7	8.2	10.6
	Shipment	14.4	20.9	11.9	17.2	11.9	10.7	7.4	8.4
	- Domestic demand	11.5	19.5	8.3	14.1	7.2	5.5	2.2	5.8
	- Exports	18.2	22.7	16.9	21.4	18.4	17.9	14.5	11.8
	Inventory <sup>4</sup>	17.4	7.5	17.4	16.5	10.3	10.3	8.7	7.9
	Manufacturing activity	Average operation ratio (%)	81.2	80.4	80.8	82.1	83.1	82.4	80.4
	Production capacity	7.2	6.2	7.4	7.5	6.8	6.5	6.5	5.6

1. Preliminary

2. Including mining, manufacturing, electricity, and gas industry

3. Information and Communications Technology

4. End-period

Source: Statistics Korea

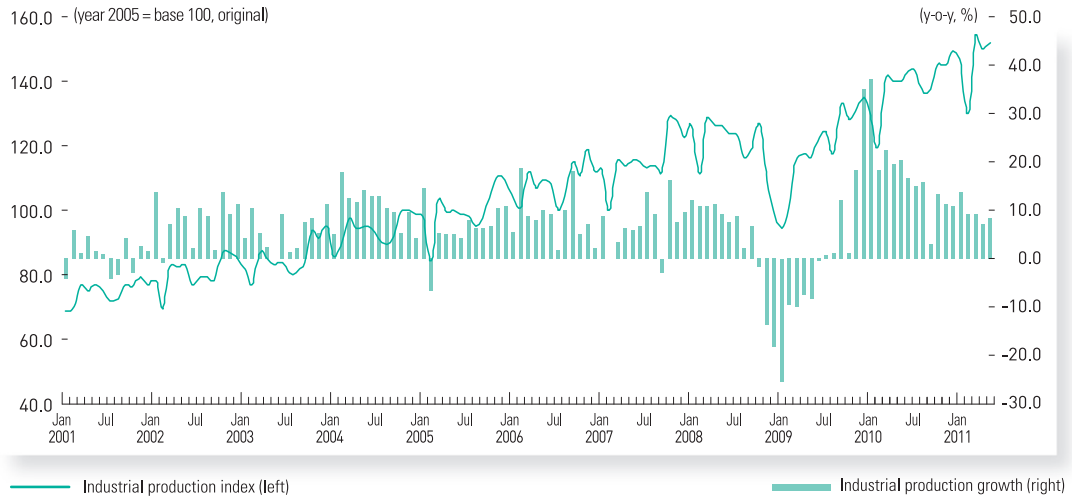
Mining and manufacturing production is expected to stay on a recovery track amid favorable export situations and in line with circumstances affecting supply steadily improving, such as labor-management conflicts and facility repair and replacement. However, with a possibility that the recovery of major economies might slow down as is shown in the OECD leading indicators, it is necessary to keep a close watch on how the global economic situation will develop.

**OECD leading indicators** (m-o-m, %)

0.3 (Dec 2010) ↻ 0.3 (Jan 2011) ↻ 0.2 (Feb) ↻ 0.1 (Mar) ↻ 0.0 (Apr)

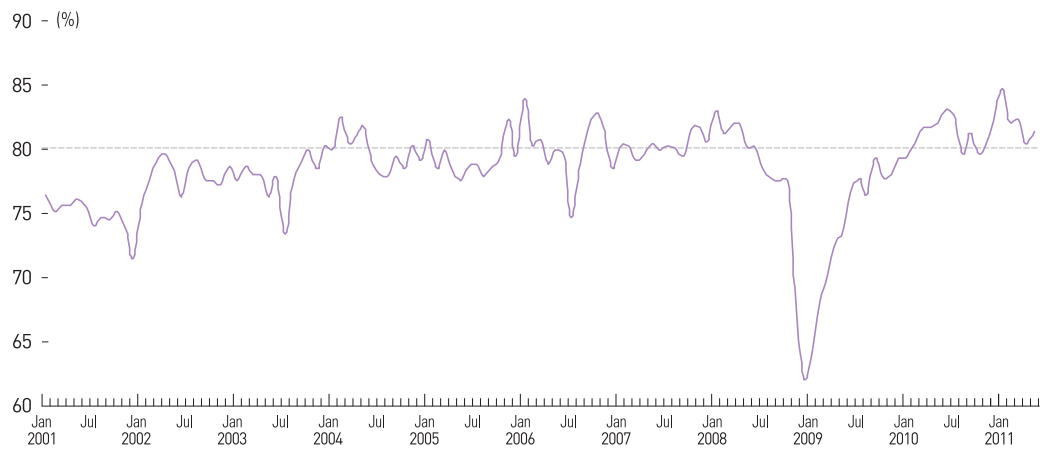
### 6-1 Industrial production

Source: Statistics Korea (industrial activity trend)



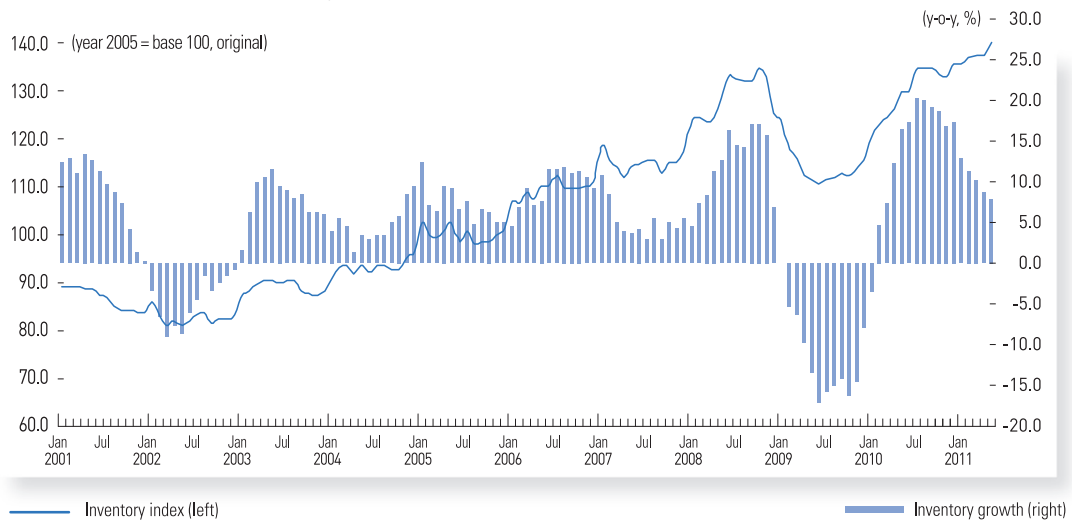
### 6-2 Average manufacturing operation ratio

Source: Statistics Korea (industrial activity trend)



### 6-3 Inventory

Source: Statistics Korea (industrial activity trend)



## 7. Service sector activity

Despite sluggish educational services, service activity in May increased 0.9 percent from the previous month, helped by wholesale & retail sales and hotels & restaurants. On a year-on-year basis, service activity rose 3.6 percent.

Service activities in wholesale & retail sales (*up 2.6%*) and hotels & restaurants (*up 2.2%*) significantly expanded month-on-month, affected by increased outdoor activities during holidays in May. Healthcare & social welfare services (*up 3.7%*) and financial & insurance services (*up 0.5%*) also increased.

Meanwhile, real estate & renting (*down 0.5%*) and educational services (*down 1.0%*) continued their sluggish performance. Transportation services (*down 2.0%*) contracted for the second month due to a slump in marine transport services. Professional, scientific & technical services (*down 0.5%*) and business services (*down 1.5%*) also decreased.

(Percentage change from same period in previous year)

	Weight	2009		2010				2011			
		Annual	Annual	Q1	Q2	Q3	Q4	Q1	Mar	Apr <sup>1</sup>	May <sup>1</sup>
Service activity index	100.0	1.8	3.9	6.2	4.2	2.3	3.2	2.7	3.1	3.1	3.6
- Wholesale & retail sales	21.8	-0.4	5.7	7.4	5.6	5.0	4.7	4.0	4.3	4.5	6.4
- Transportation services	9.0	-6.6	12.0	14.1	14.3	10.1	10.0	7.2	9.2	3.9	3.0
- Hotels & restaurants	7.7	-1.4	1.2	1.2	0.7	1.3	1.7	-0.6	-1.1	0.7	2.9
- Information & communication services	8.4	0.9	1.9	1.0	0.4	2.2	3.6	3.9	2.6	1.5	1.6
- Financial & insurance services	15.3	7.8	4.6	6.7	2.5	1.4	8.2	7.2	7.2	9.2	9.3
- Real estate & renting	6.3	5.3	-8.6	11.5	-2.4	-15.9	-24.2	-17.7	-13.7	-16.0	-12.7
- Professional, scientific & technical services	4.8	1.2	-0.5	0.8	2.1	-3.9	-1.3	-3.6	-2.1	1.9	-1.2
- Business services	2.9	-3.0	7.5	5.3	8.1	7.6	8.6	5.7	5.0	6.6	4.1
- Educational services	10.8	2.1	2.0	3.2	1.4	0.5	3.1	1.1	-0.2	0.3	-0.8
- Healthcare & social welfare services	6.0	10.4	8.8	11.7	11.0	8.6	4.6	6.2	6.2	4.7	5.9
- Entertainment, cultural & sports services	2.9	-0.5	-0.4	-3.9	-0.1	-0.4	2.7	2.4	4.8	3.0	-0.7
- Membership organizations	3.8	-2.1	4.3	1.6	6.0	5.0	4.5	2.9	1.4	2.2	2.7
- Sewerage & waste management	0.4	3.7	5.1	6.7	6.0	1.7	6.4	0.0	0.8	-2.2	2.6

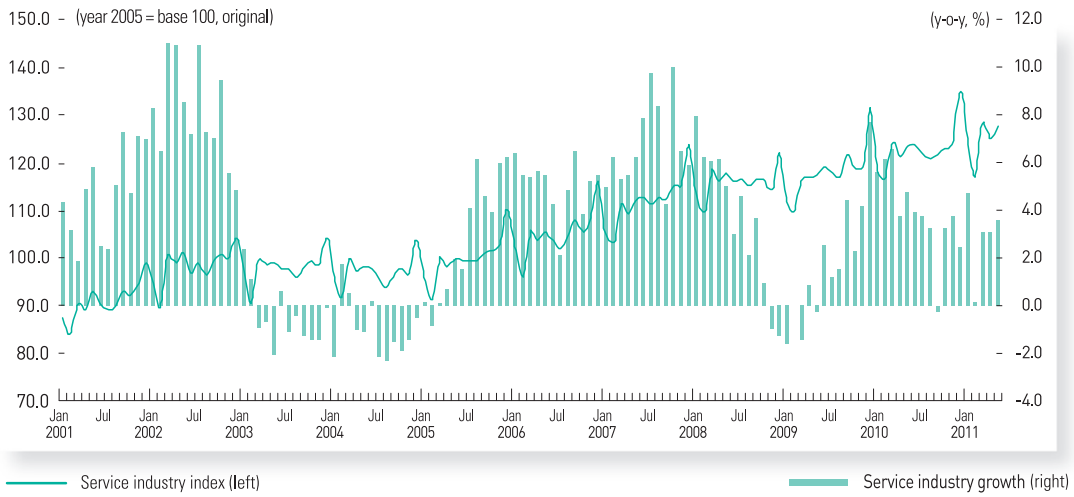
1. Preliminary

Source: Statistics Korea

Service activity is expected to maintain an upward trend in June helped by continuously improving consumer spending. Nevertheless, the upward pace may decelerate due to limited outdoor activities affected by bad weather conditions such as the rainy season and typhoons.

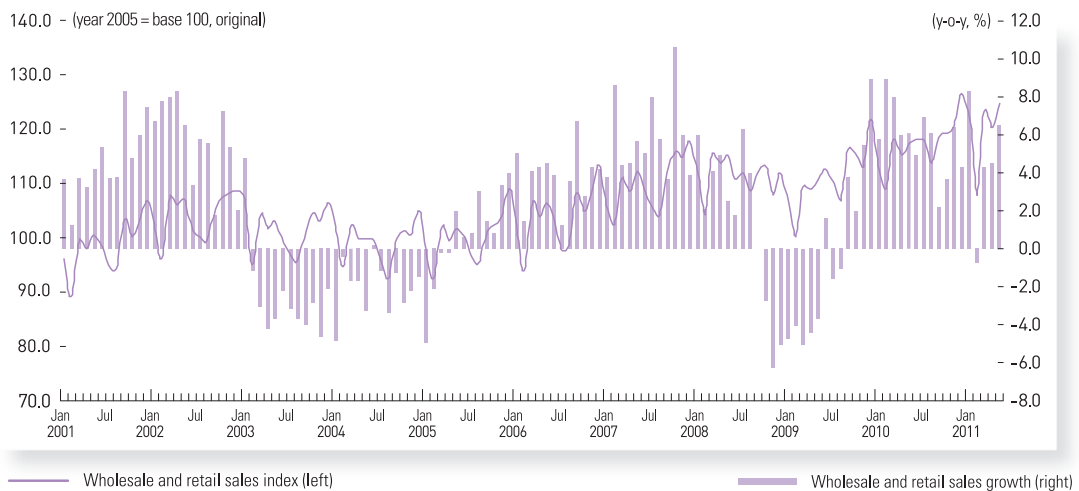
### 7-1 Service industry

Source: Statistics Korea (service industry activity trend)



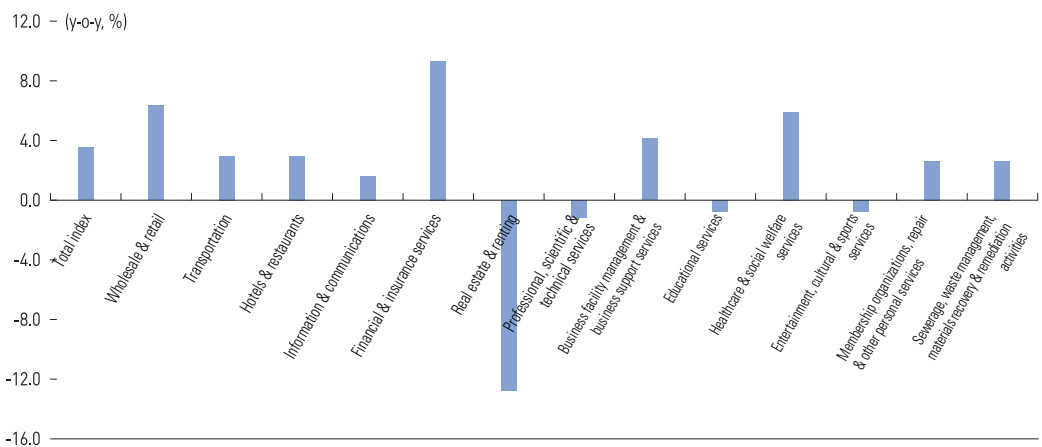
### 7-2 Wholesale and retail sales

Source: Statistics Korea (service industry activity trend)



### 7-3 May 2011 service industry by business

Source: Statistics Korea (service industry activity trend)



## 8. Employment

The number of workers on payroll in May increased by 355,000 from a year earlier, while the employment rate (*seasonally adjusted*) rose by 0.1 percentage point year-on-year to 60.1 percent.

By industry, employment in manufacturing (*up 101,000*) and services (*up 260,000*) continued to grow.

Hiring in manufacturing continued to climb on the back of strong exports, albeit at a decelerating pace due to a high base effect from the same period in the previous year.

The service sector continued to expand employment with increasing health & welfare (*up 215,000*), business assistance (*up 99,000*) and professional, scientific & technical services (*up 75,000*).

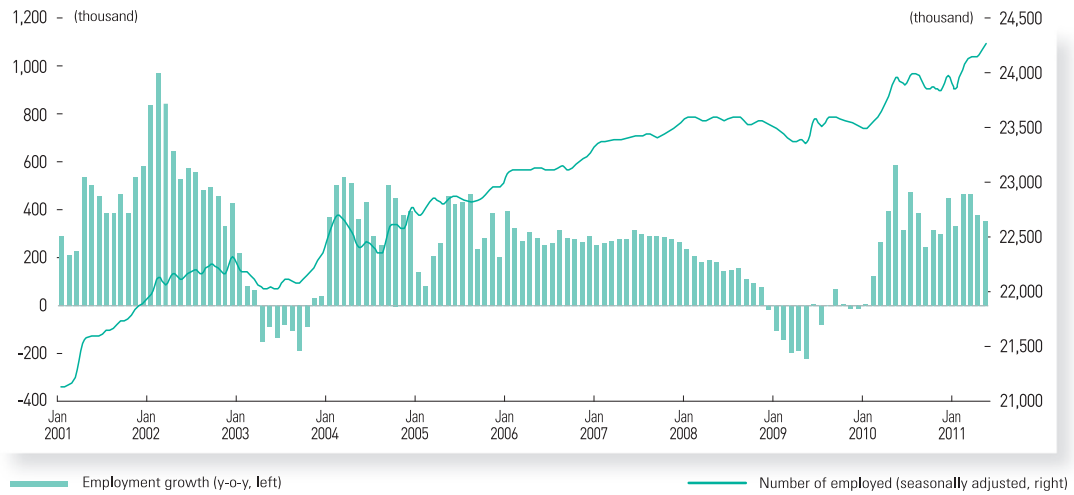
By status of workers, the number of regular workers (*up 630,000*) continued to increase. Meanwhile, non-wage workers (*down 17,000*) including temporary workers (*down 159,000*), daily workers (*down 99,000*) and self-employed workers (*down 49,000*) declined.

	2009				2010						2011		
	Annual	Q2	Q3	Q4	Annual	May	Q1	Q2	Q3	Q4	Q1	Apr	May
Number of employed (million)	23.51	23.74	23.75	23.63	23.83	24.31	23.04	24.17	24.12	23.99	23.46	24.30	24.69
Employment rate (%)	58.6	59.3	59.1	58.7	58.7	60.0	57.0	59.6	59.3	58.9	57.4	59.3	60.1
(seasonally adjusted)	58.6	58.6	58.7	58.5	58.7	59.0	58.3	58.9	58.9	58.6	58.8	59.0	59.2
Employment growth (y-o-y, thousand)	-72	-134	-1	-6	323	586	132	433	369	358	423	379	355
(Excluding agriculture, forestry & fishery)	-34	-109	24	110	405	673	296	518	414	393	451	367	382
- Manufacturing	-126	-151	-143	-49	191	190	61	172	262	269	228	116	101
- Construction	-91	-113	-103	-107	33	46	-61	44	92	57	-3	-57	-27
- Services	179	154	261	261	200	462	313	325	83	80	224	305	260
- Agriculture, forestry & fishery	-38	-25	-25	-116	-82	-87	-164	-85	-45	-35	-28	12	27
- Wage workers	247	175	356	385	517	770	371	623	541	532	519	364	372
· Regular workers	383	313	386	515	697	763	651	766	671	699	605	607	630
· Temporary workers	22	-5	125	105	-34	147	-37	42	-26	-114	-88	-220	-159
· Daily workers	-158	-133	-155	-235	-146	-139	-243	-185	-104	-53	2	-24	-99
- Non-wage workers	-319	-309	-357	-391	-194	-185	-239	-189	-172	-174	-96	16	-17
· Self-employed workers	-259	-286	-276	-279	-118	-82	-106	-91	-130	-146	-115	-16	-49
- Male	31	24	34	89	181	268	117	188	207	212	266	227	171
- Female	-103	-158	-34	-94	142	318	15	245	163	146	157	152	184
- 15 to 29	-127	-99	-123	-77	-43	-15	-12	-58	-44	-57	-49	-73	-98
- 30 to 39	-173	-213	-169	-149	-4	1	-42	-13	21	17	-34	-17	-15
- 40 to 49	-24	-27	-30	-46	29	63	-21	48	40	50	77	40	64
- 50 to 59	198	156	211	230	294	374	251	342	295	287	286	300	274
- 60 or more	54	49	109	37	47	162	-44	114	57	60	143	130	129

Source: Statistics Korea

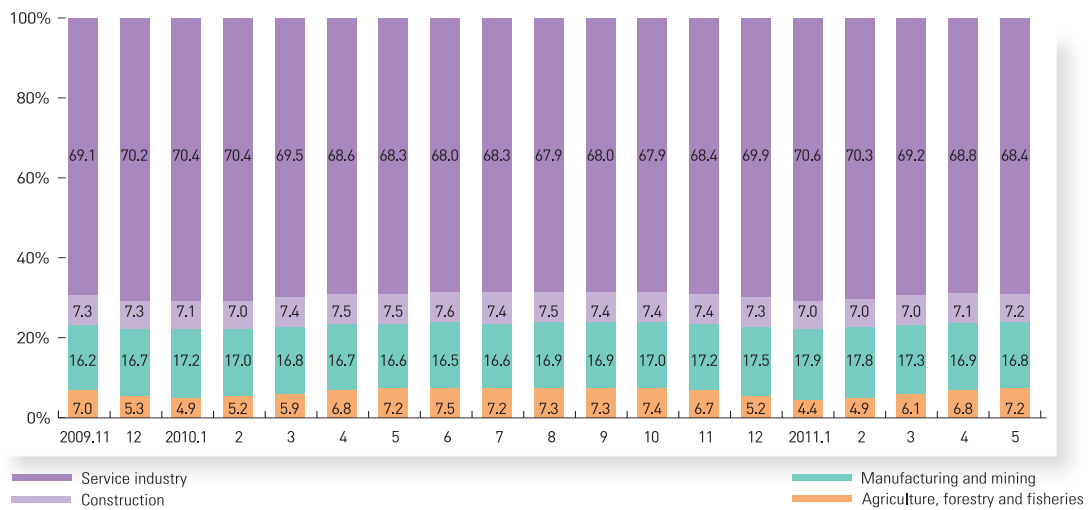
### 8-1 Number of employed and employment growth

Source: Statistics Korea (employment trend)



### 8-2 Share of employed by industry

Source: Statistics Korea (employment trend)



### 8-3 Share of employed by status of workers

Source: Statistics Korea (employment trend)



The number of unemployed persons in May increased by 26,000 year-on-year to 819,000 and the year-on-year unemployment rate (*seasonally adjusted*) remained at 3.2 percent. On a month-on-month basis, the unemployment rate (*seasonally adjusted*) declined 0.3 percentage points to 3.3 percent and the number of unemployed persons (*seasonally adjusted*) decreased by 69,000 to 840,000, shifting back to the normal level.

The youth unemployment rate fell for the second consecutive month to 7.3 percent, returning to the 7 percent-level. In seasonally adjusted terms, the youth unemployment rate stayed at 7.7 percent.

	2009				2010						2011		
	Annual	Q2	Q3	Q4	Annual	May	Q1	Q2	Q3	Q4	Q1	Apr	May
Number of unemployed (thousand)	889	943	886	817	920	793	1,130	868	873	808	1,028	936	819
Unemployment growth (y-o-y, thousand)	119	176	134	60	31	-145	222	-75	-13	-10	-101	3	26
- Male	80	116	95	25	-7	-88	83	-47	-48	-16	-70	-27	-10
- Female	40	60	39	36	38	-57	139	-29	35	6	-32	29	36
Unemployment rate (%)	3.6	3.8	3.6	3.3	3.7	3.2	4.7	3.5	3.5	3.3	4.2	3.7	3.2
(Seasonally adjusted)	3.6	3.9	3.7	3.5	3.7	3.3	4.3	3.5	3.6	3.4	3.9	3.6	3.3
- 15 to 29	8.1	8.0	8.1	7.6	8.0	6.4	9.5	7.7	7.6	7.1	8.8	8.7	7.3
- 30 to 39	3.6	3.9	3.5	3.3	3.5	3.5	3.9	3.6	3.5	3.2	4.0	3.9	3.2
- 40 to 49	2.4	2.6	2.4	2.3	2.5	2.2	2.9	2.3	2.5	2.2	2.5	2.3	2.0
- 50 to 59	2.5	2.7	2.5	2.2	2.5	2.0	3.2	2.1	2.3	2.3	2.7	2.1	2.1
- 60 or more	1.6	1.9	1.6	1.5	2.8	1.9	5.8	2.1	2.0	1.9	4.5	2.4	2.2

Source: Statistics Korea

The economically inactive population in May was up 89,000 from a year earlier to 15,520,000. Meanwhile, the labor force participation rate (*seasonally adjusted*) rose 0.2 percentage points year-on-year to 62.1 percent.

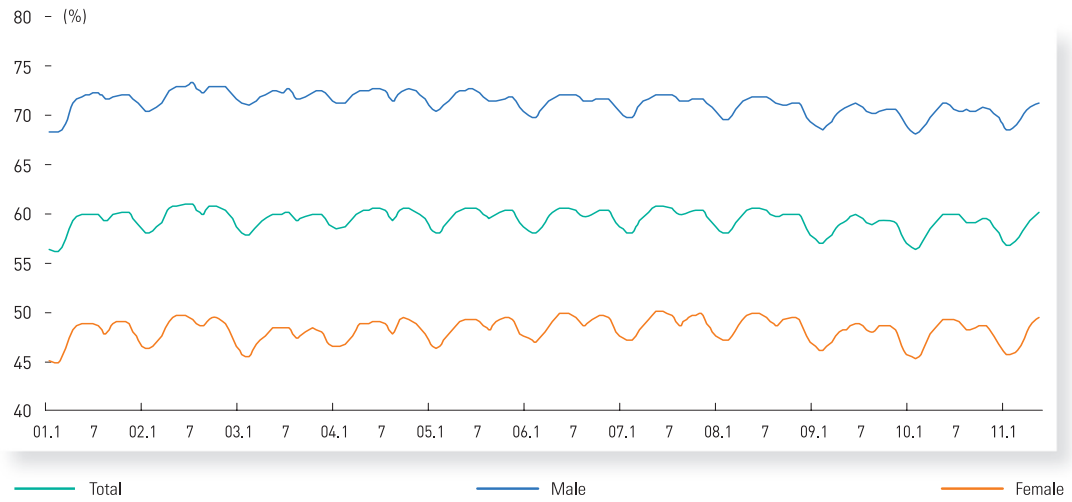
The number of workers quitting jobs due to rest, time-off and leisure (*up 188,000*) and housework (*up 34,000*) increased, while those who quit jobs due to education (*down 650,000*), old age (*down 60,000*) and childcare (*down 11,000*) decreased.

	2009				2010						2011		
	Annual	Q2	Q3	Q4	Annual	May	Q1	Q2	Q3	Q4	Q1	Apr	May
Economically inactive population (million)	15.70	15.35	15.53	15.83	15.84	15.43	16.25	15.49	15.66	15.96	16.39	15.71	15.52
Labor force participation rate (%)	60.6	61.7	61.3	60.7	61.0	61.9	59.8	61.8	61.5	60.8	59.9	61.6	62.1
(seasonally adjusted)	60.6	60.9	60.9	60.6	61.0	61.0	61.0	61.0	61.1	60.8	61.1	61.2	61.3
Growth in economically inactive population (y-o-y, thousand)	447	445	374	456	143	65	166	146	128	133	138	81	89
- Childcare	40	48	19	15	-125	-124	-118	-126	-149	-107	-44	-21	-11
- Housework	148	125	100	235	201	148	237	175	203	189	130	67	34
- Education	31	58	11	-36	12	11	-74	23	46	55	-16	-39	-65
- Old age	88	102	105	92	80	32	193	59	43	25	-103	-80	-60
- Rest, time-off and leisure	123	112	94	123	-56	-64	-187	-27	15	-27	241	175	188

Source: Statistics Korea

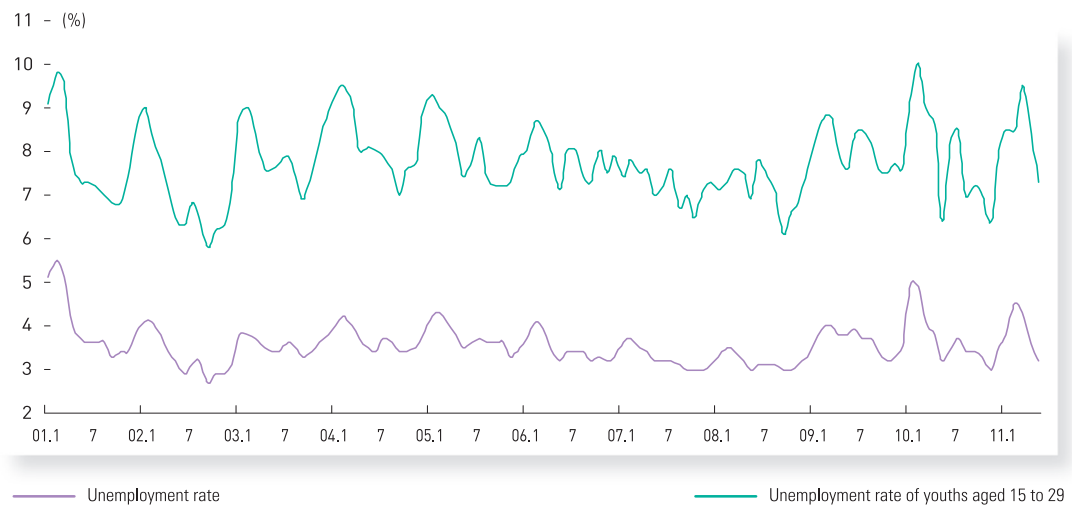
### 8-4 Employment rate

Source: Statistics Korea (employment trend)



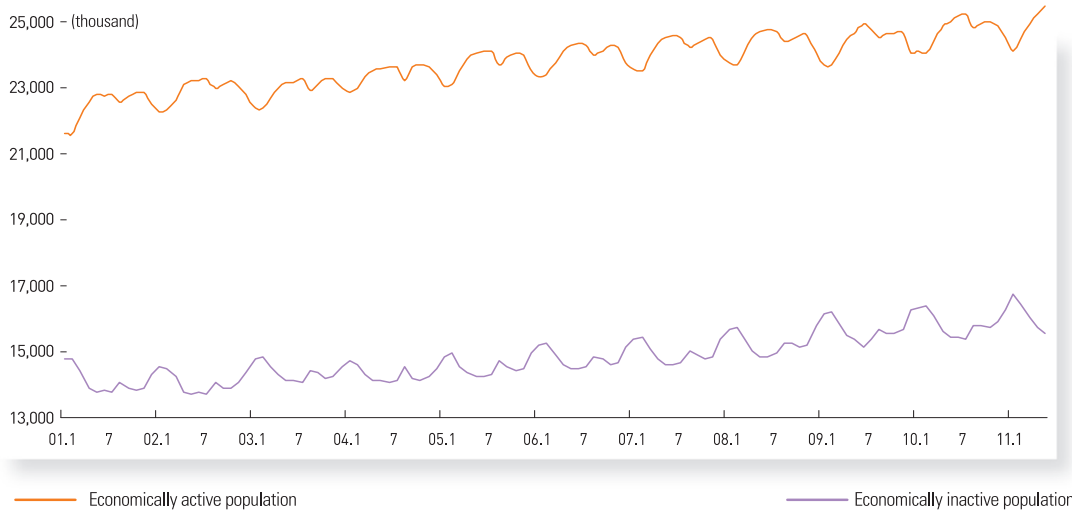
### 8-5 Unemployment rate and youth unemployment rate

Source: Statistics Korea (employment trend)



### 8-6 Economically active population

Source: Statistics Korea (employment trend)



## 9. Financial market

### 9.1 Stock market

The Korean stock price index fell for the second month in June amid continuing European debt jitters and concerns over global economic slowdown.

Worries over possible contagion of the eurozone fiscal crisis that began in Greece, the end of the second quantitative easing (QE2) in the United States, concerns over economic slowdown in major economies including the United States, and Korean companies' lowered earnings estimates for the second quarter contributed to the decline of stock prices.

Foreign investors maintained the net-selling position, albeit decreasing the selling volume from 2.5 trillion won to 0.7 trillion won.

(End-period, point, trillion won)

	KOSPI			KOSDAQ		
	May 2011	June 2011	Change <sup>1</sup>	May 2011	June 2011	Change <sup>1</sup>
Stock price index	2,142.5	2,100.7	-41.8 (-2.0%)	484.5	479.6	-5.0 (-1.0%)
Market capitalization	1,201.5	1,183.5	-18.1 (-1.5%)	98.5	98.2	-0.3 (-0.3%)
Average daily trade value	7.3	6.6	-0.7 (-10.0%)	1.3	1.2	-0.05 (-3.9%)
Foreign stock ownership	32.6	32.2	-0.4 (-1.0%)	10.8	10.9	+0.1 (+1.1%)

1. Change from the end of the previous month

### 9.2 Exchange rate

The won/dollar exchange rate in June decreased 11.5 won to wrap up the month at 1,067.7 won from 1,079.2 won at the end of May. Amid mixed signals such as worries over a Greek default and the eurozone's policy responses to such challenges, the won/dollar exchange rate continued to fluctuate before uncertainties eased with the Greek parliament's approval of the government's medium-term austerity bill at the end of the month.

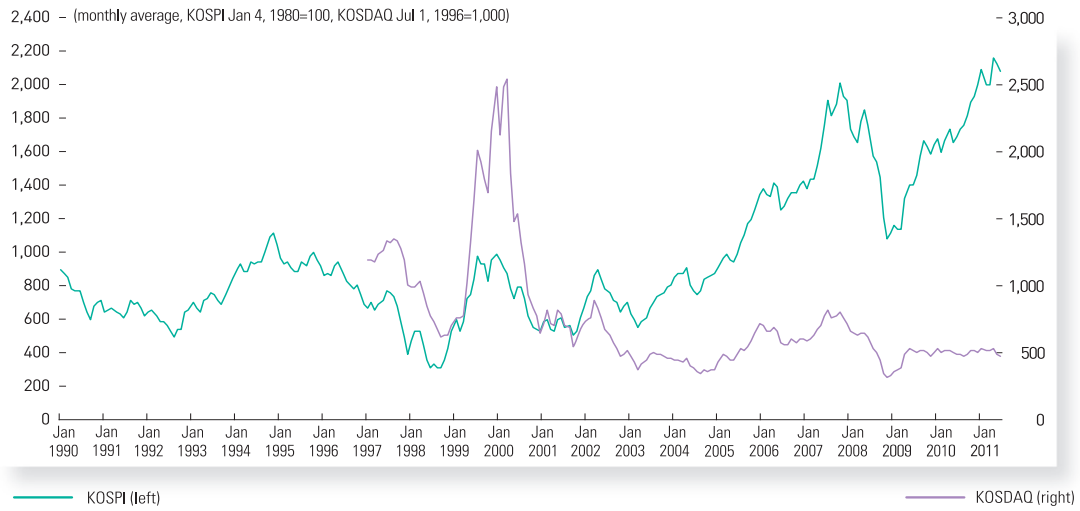
The won/100 yen exchange rate rose 2.1 won from the end of the previous month as both currencies slightly strengthened by optimism over a Greek rescue deal.

(End-period)

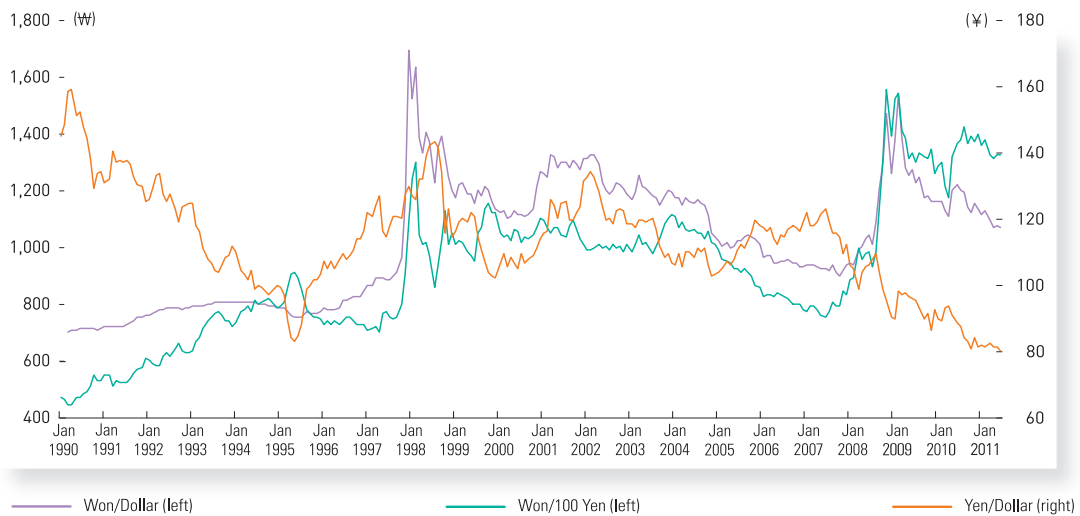
	2007	2008	2009	2010	2011		Change <sup>1</sup>
	Dec	Dec	Dec	Dec	May	Jun	
Won/Dollar	936.1	1,259.5	1,164.5	1,134.8	1,079.2	1,067.7	6.3
Won/100 Yen	828.6	1,396.8	1,264.5	1,393.6	1,326.1	1,328.2	4.9

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

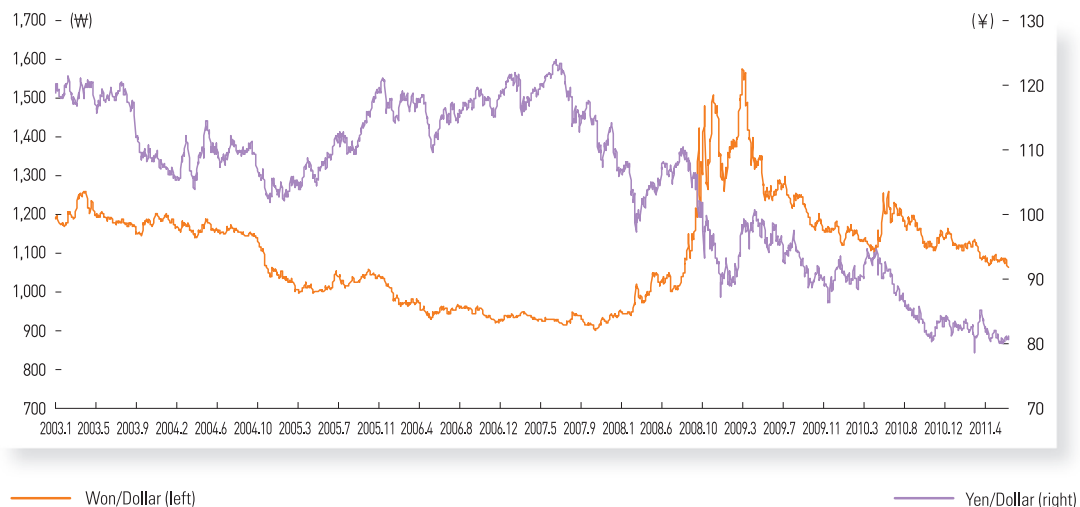
### 9-1 Stock prices



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



### 9-3 Recent foreign exchange rate



## 9.3 Bond market

Treasury bond yields rose in June as the Bank of Korea raised the key interest rate by 0.25 percentage points to 3.25 percent amid worries over inflation. Foreign investors' selling of treasury futures also contributed to the rise.

(End-period)

	2006	2007	2008	2009	2010	2011			
	Dec	Dec	Dec	Dec	Dec	Apr	May	Jun	Change <sup>1</sup>
Call rate (1 day)	4.60	5.02	3.02	2.01	2.51	3.02	3.03	3.28	+25
CD (91 days)	4.86	5.82	3.93	2.88	2.80	3.42	3.46	3.57	+11
Treasury bonds (3 yrs)	4.92	5.74	3.41	4.44	3.38	3.77	3.59	3.76	+17
Corporate bonds (3 yrs)	5.29	6.77	7.72	5.56	4.27	4.56	4.33	4.49	+16
Treasury bonds (5 yrs)	5.00	5.78	3.77	4.98	4.08	4.10	3.87	4.01	+14

1. Basis point, changes in June 2011 from the previous month

## 9.4 Money supply & money market

The M2 (monthly average) in April expanded 3.9 percent from a year earlier excluding cash management accounts (CMAs), which were included in M2 since July 2009.

Despite credit expansions in the private sector due to rising bank lending, the month-on-month M2 growth slowed down from the previous month affected by money withdrawal by the government and reduced inflows of foreign funds in equity investment.

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

	2008	2009	2010				2011					
	Annual	Annual	Annual	Q1	Q2	Q3	Q4	Jan	Feb	Mar	Apr	Apr <sup>1</sup>
M1 <sup>2</sup>	-1.8	16.3	11.8	14.5	10.7	10.8	11.2	12.6	11.5	11.6	9.6	425
M2	14.3	10.3	8.7	9.4	9.5	8.6	7.4	6.5	5.0	4.3	3.9	1,685
Lf <sup>3</sup>	11.9	7.9	8.2	8.5	9.1	8.2	7.1	6.6	5.2	4.7	4.5 <sup>4</sup>	2,164 <sup>4</sup>

1. Balance at end April 2011, trillion won

2. M1 excluding corporate MMFs and individual MMFs while including CMAs

3. Liquidity aggregates of financial institutions (mostly identical with M3)

4. Preliminary

In May, bank deposits slightly decreased while asset management company (AMC) deposits turned to an increase.

Despite continuously strong growth in time deposits, bank deposits decreased due to a plunge in instant access account deposits, affected by deferred tax payments.

Asset management company (AMC) deposits, despite decreasing money market funds (MMF) due to money withdrawal from bank accounts, increased as equity-type funds shifted to a net-inflow and bond-type funds sustained strong.

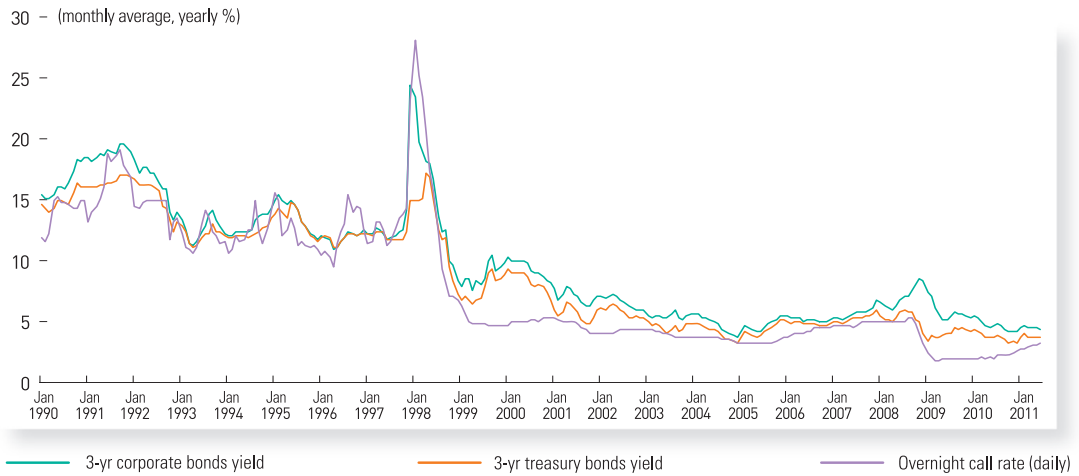
(Monthly change, end-period, trillion won)

	2009		2010		2011			
	Annual	May	Annual	May	Mar	Apr	May	May <sup>1</sup>
Bank deposits	54.8	10.4	36.9	18.6	-11.4	12.5	-0.4	1,062
AMC deposits	-27.6	-2.3	-16.7	4.2	0.6	-3.2	4.1	303

1. Balance at end May 2011, trillion won

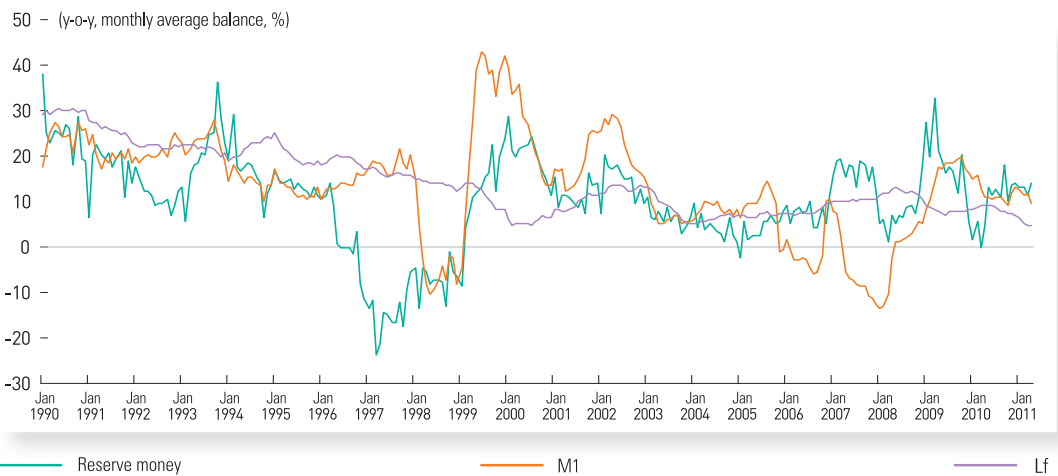
### 9-4 Interest rates

Source: The Bank of Korea



### 9-5 Total money supply

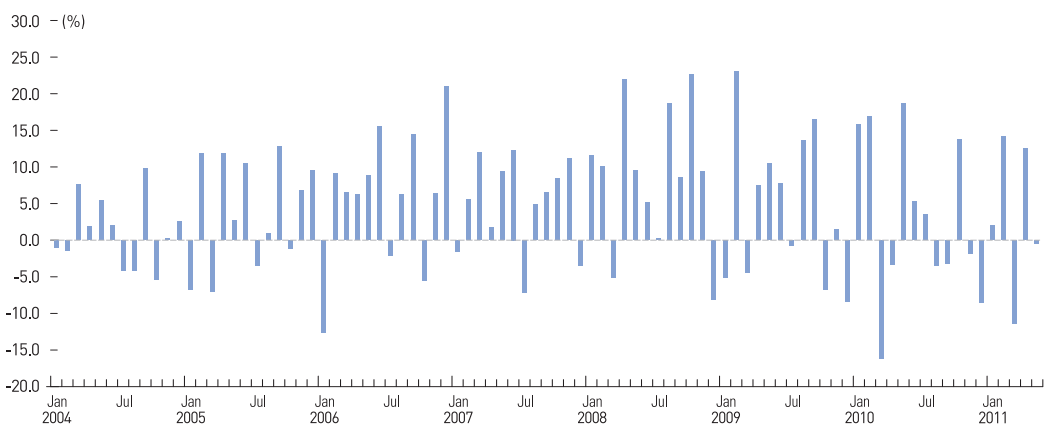
Source: The Bank of Korea



### 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 (*preliminary*) in May expanded from the previous month's US\$1.28 billion to US\$2.26 billion as the primary income account and the secondary income account turned to a surplus.

The goods account surplus decelerated the growth to US\$1.71 billion from the previous month's US\$3.33 billion due to rising imports of raw materials.

The service account shifted to a surplus for the first time in 12 months to US\$20 million from the previous month's deficit of US\$180 million, helped by improving travel account and construction & service account.

The primary income account shifted to a surplus of US\$520 million from the previous month's deficit of US\$1.58 billion due to decreased dividend payments. In addition, the secondary income account turned to a surplus of US\$20 million from the deficit of US\$290 million a month earlier.

In general, the primary income account tends to significantly improve in May as a surge in dividend payments during March and April eases.

**Primary income account balance** (Monthly average from 2000 to 2010, US\$ billion)

0.41 (Feb) ↻ -0.70 (Mar) ↻ -1.42 (Apr) ↻ 0.24 (May) ↻ 0.04 (Jun)

(US\$ billion)

	2009		2010				2011		
	Annual	Annual	Q1	Q2	Q3	Q4	Q1	Apr	May <sup>1</sup>
Current account	32.79	28.21	0.26	8.86	9.93	9.16	2.61	1.28	2.26
- Goods balance	37.87	41.90	4.79	12.24	12.54	12.34	5.84	3.33	1.71
- Service balance	-6.64	-11.23	-4.20	-1.87	-2.96	-2.20	-2.54	-0.18	0.02
- Income balance	2.28	0.77	0.55	-1.01	1.30	-0.07	0.39	-1.58	0.52
- Current transfers	-0.71	-3.23	-0.87	-0.50	-0.95	-0.91	-1.08	-0.29	0.02

Source: The Bank of Korea  
1. Preliminary

The capital and financial account (*preliminary*) in May turned to an outflow of US\$4.03 billion from the previous month's inflow of US\$400 million.

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

-1.28 (Jan 2011) ↻ -2.00 (Feb) ↻ 0.52 (Mar) ↻ 0.4 (Apr) ↻ -4.03 (May)

The direct investment account accelerated the outflow to US\$1.25 billion from the previous month's outflow of US\$740 million due to increasing overseas direct investment by locals.

The portfolio investment account turned to an outflow of US\$1.14 billion from the previous month's inflow of US\$740 million due to concerns over Greek debt restructuring.

The financial derivatives account turned to an inflow of US\$170 million from the previous month's outflow of US\$210 million.

Due to increasing trade credit lending, the other investment account expanded the outflow to US\$890 million from the outflow of US\$150 million a month earlier.

The current account balance in June is expected to slightly accelerate the surplus, with the goods account surplus expanding.

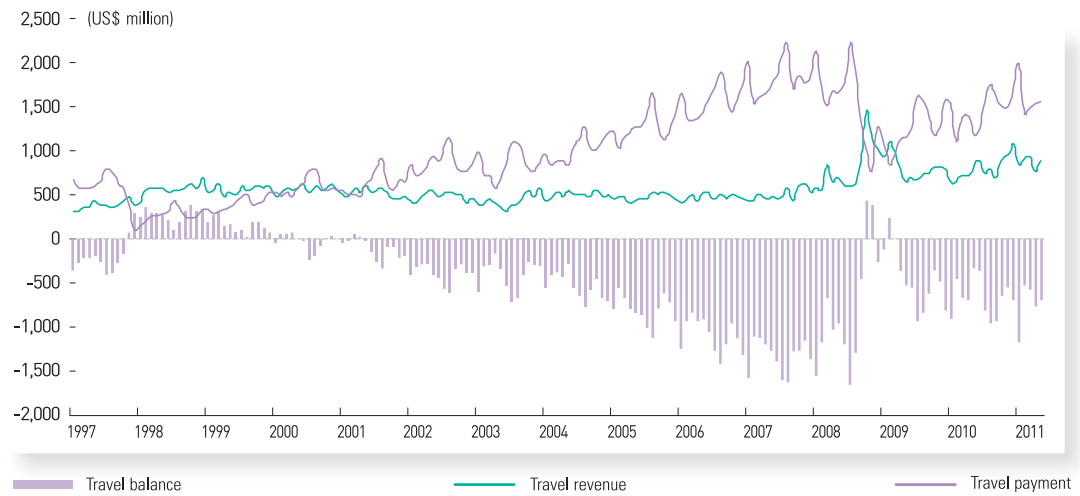
### 10-1 Current account balance

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



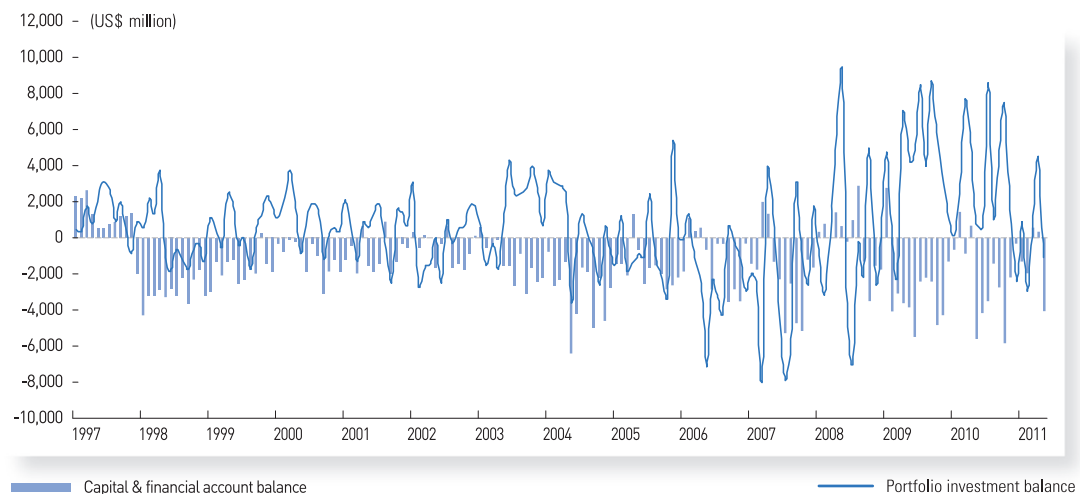
### 10-2 Travel balance

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 June rose 4.4 percent year-on-year and 0.2 percent month-on-month. Prices of agricultural and oil products showed a downward trend, but those of livestock products, processed food and dining out costs continued to rise.

Core consumer prices, which exclude oil and agricultural products, rose 3.7 percent year-on-year and 0.3 percent month-on-month. Consumer prices for basic necessities, a barometer of perceived consumer prices, were up 4.3 percent compared with the same month of the previous year.

#### Consumer price inflation

	2010							2011					
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Month-on-Month (%)	-0.2	0.3	0.3	1.1	0.2	-0.6	0.6	0.9	0.8	0.5	0.0	0.0	0.2
Year-on-Year (%)	2.6	2.6	2.6	3.6	4.1	3.3	3.5	4.1	4.5	4.7	4.2	4.1	4.4
Core consumer prices (y-o-y)	1.7	1.7	1.8	1.9	1.9	1.8	2.0	2.6	3.1	3.3	3.2	3.5	3.7
(m-o-m)	0.2	0.2	0.2	0.3	0.0	0.1	0.3	0.6	0.7	0.3	0.2	0.5	0.3
Consumer prices for basic necessities (y-o-y)	2.8	2.7	2.6	4.1	4.8	3.6	3.9	4.7	5.2	4.9	4.1	3.8	4.3

Source: Statistics Korea

Overall prices of agricultural, livestock & fishery products remained unchanged from the previous month, as vegetable prices fell while prices of grain and livestock products rose.

#### Prices of agricultural, livestock & fishery products in June (m-o-m, %)

Pork (16.2), rice (1.8), bean (0.6), egg (0.2), beef (-2.5), watermelon (-2.9), spring onion (-8.8), chicken (-11.5), Chinese cabbage (-19.4)

Despite lower oil product prices, overall prices of industrial products rose (0.2%, m-o-m), due to the increase in the prices of processed food and others.

Public utility charges remained stabilized in general. Price increases in personal services slowed (up 0.2%, m-o-m) despite persistently rising dining out costs, with all other prices excluding dining out costs stabilizing.

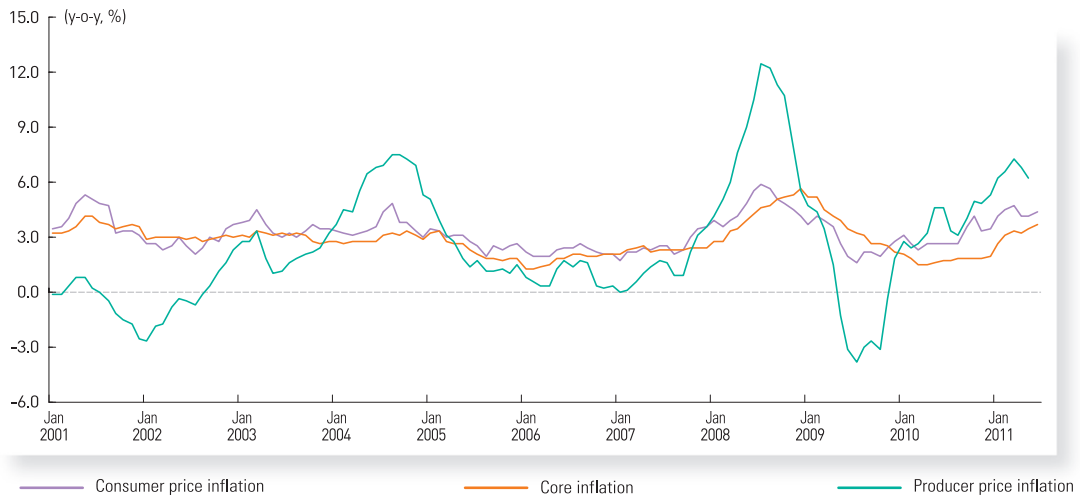
#### Consumer price inflation in major sectors

	Total	Agricultural, livestock & fishery products	Industrial products	Oil products	Housing rents	Public utility	Personal services
Month-on-Month (%)	0.0	0.0	0.2	-0.8	0.4	0.0	0.2
Contribution (%p)	0.17	0.00	0.08	-0.05	0.04	0.00	0.06
Year-on-Year (%)	4.4	9.3	5.8	12.6	4.0	1.2	3.5
Contribution (%p)	4.42	0.80	1.84	0.76	0.36	0.18	1.22

Source: Statistics Korea

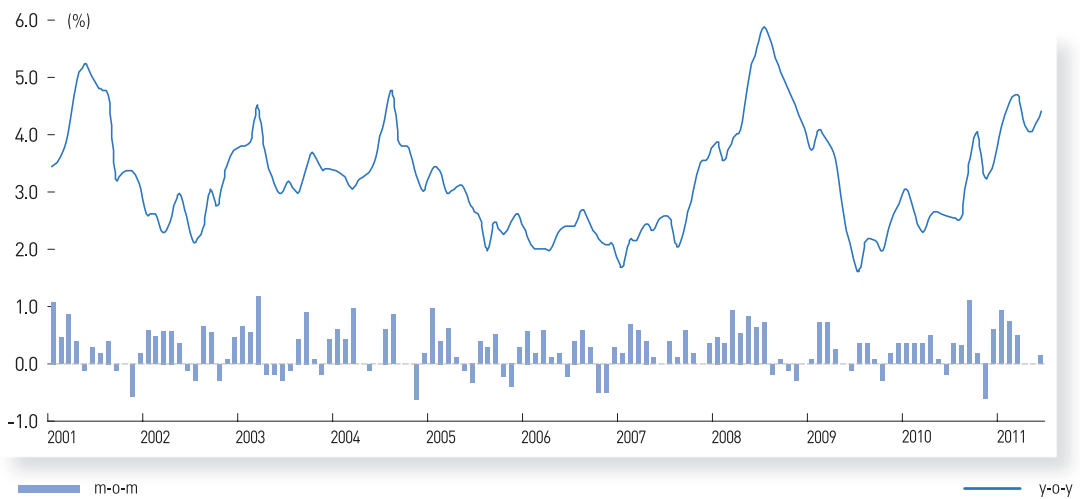
### 11-1 Prices

Source: Statistics Korea (consumer prices, core inflation) & The Bank of Korea (producer prices)



### 11-2 Consumer price inflation

Source: Statistics Korea (consumer price trend)



### 11-3 Contribution to consumer price inflation

Source: Statistics Korea (consumer price trend)



## 11.2. International oil and commodity prices

International oil and domestic oil product prices fell in June.

International oil prices were lower compared with the previous month, due to concerns over Greece's financial crisis and the International Energy Agency's decision to release 60 million barrels of oil from strategic reserves.

(US\$/barrel, period average)

	2008	2009	2010		2011					
	Annual	Annual	Annual	Dec	Jan	Feb	Mar	Apr	May	Jun
Dubai crude	94.3	61.9	78.1	88.9	92.5	100.5	108.5	115.8	108.0	107.5
Brent crude	97.5	61.7	79.7	91.8	96.8	104.1	114.6	123.3	114.3	114.0
WTI crude	99.9	61.9	79.5	89.2	89.5	89.6	103.0	110.0	101.3	96.3

Source: Korea National Oil Corporation

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

Dubai crude: 141 (Jul 4, 2008), Brent crude: 145 (Jul 3, 2008), WTI crude: 146 (Jul 14, 2008)

Domestic oil product prices decreased as the exchange rates stabilized and international oil prices fell.

### Won/dollar exchange rate (average)

1,118 (Feb) ↗ 1,122 (Mar) ↘ 1,087 (Apr) ↘ 1,084 (May) ↗ 1,081 (Jun)

(Won/liter, period average)

	2008	2009	2010		2011					
	Annual	Annual	Annual	Dec	Jan	Feb	Mar	Apr	May	Jun
Gasoline prices	1,692	1,601	1,710	1,771	1,825	1,850	1,939	1,951	1,938	1,915
Diesel prices	1,614	1,397	1,503	1,570	1,621	1,652	1,756	1,793	1,773	1,736

Source: Korea National Oil Corporation

Prices of international commodities including non-ferrous metals and grains remained in correction mode in June. However, price trends of the individual items differ depending on their supply conditions.

Prices of non-ferrous metals, such as tin and nickel, are undergoing a correction process, due to concerns over the financial crisis in Greece and the possibility of policy tightening in China.

### Prices of non-ferrous metals in June (m-o-m, %)

Zinc (3.1), electrolytic copper (1.1), aluminum (-0.5), nickel (-7.4), tin (-10.6)

Prices of international grain, such as corn and barley, fell after the United States Department of Agriculture (USDA) predicted that crop acreage in the United States would likely to increase in June.

### Prices of non-ferrous metals and grain in June (m-o-m, %)

Raw sugar (17.2), soybean (0.0), corn (-1.0), barley (-10.5)

### Reuters index\*

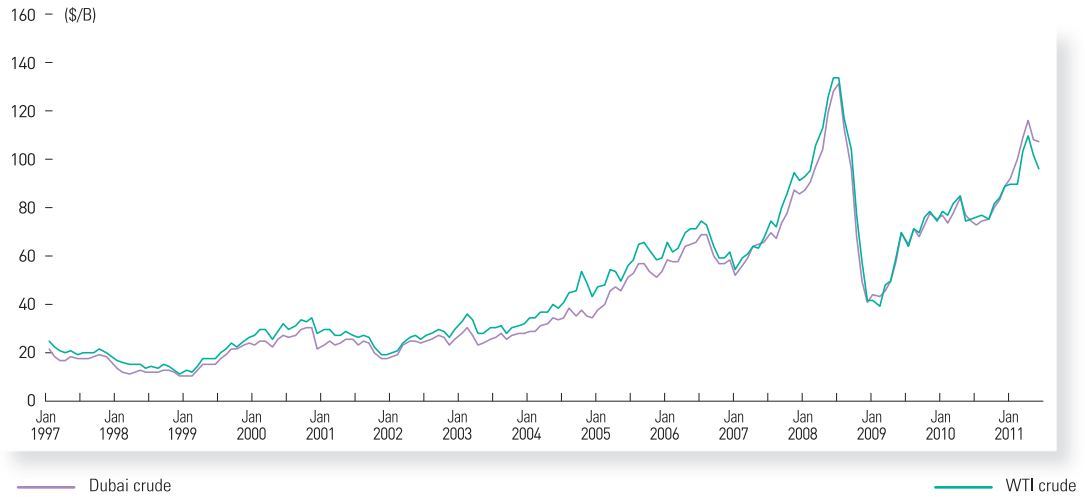
(Period average)

	2008	2009	2010		2011					
	Annual	Annual	Annual	Dec	Jan	Feb	Mar	Apr	May	Jun
	2,536	2,079	2,553	3,119	3,228	3,323	3,221	3,246	3,128	3,143

\* A weighted average index of 17 major commodities Source: KOREA PDS

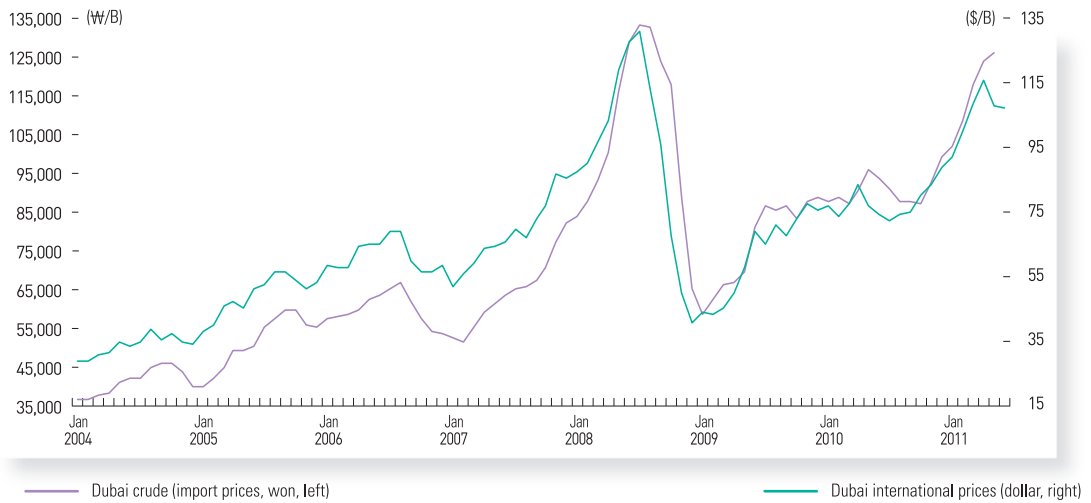
### 11-4 International oil prices

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

The upward trend of nationwide apartment sales prices decelerated in June, with prices rising 0.7 percent month-on-month.

Apartment sales prices in the Seoul metropolitan area continued to show a horizontal price movement, falling 0.1 percent from the previous month.

Apartment sales prices in areas excluding the Seoul metropolitan area showed a persistent upward trend, led by Daejeon (up 2.2%, m-o-m), Gwangju (up 2.1%, m-o-m) and Busan (up 1.5%, m-o-m). Apartment prices in 5 metropolitan cities and other cities climbed 1.6 percent and 1.3 percent each, surpassing the national average.

#### Nationwide apartment sales prices

(Percentage change from previous period)

	2007	2008	2009	2010	2011									
	Annual	Annual	Annual	Annual	Jan	Feb	Mar	Apr	May	Jun	Jun 6 <sup>1</sup>	Jun 13 <sup>1</sup>	Jun 20 <sup>1</sup>	Jun 27 <sup>1</sup>
Nationwide	2.1	2.3	1.6	2.5	0.6	1.1	1.3	1.2	1.0	0.7	0.16	0.16	0.15	0.14
Seoul	3.6	3.2	2.6	-2.2	0.2	0.3	0.1	0.0	-0.1	-0.1	-0.03	-0.02	-0.04	-0.04
Gangnam <sup>2</sup>	0.5	-1.9	3.9	-1.8	0.2	0.4	0.2	0.0	-0.1	-0.2	-0.03	-0.04	-0.05	-0.05
Gangbuk <sup>3</sup>	8.3	9.4	0.9	-2.7	0.1	0.2	0.1	0.0	0.0	-0.1	-0.04	0.01	-0.03	-0.03
Seoul metropolitan area	4.0	2.9	0.7	-2.9	0.1	0.3	0.3	0.1	0.0	-0.1	-0.01	0.02	0.03	0.02
5 metropolitan cities	-0.6	1.0	2.8	8.7	1.2	2.0	2.3	2.4	2.2	1.6	0.39	0.39	0.37	0.35

1. Weekly trends 2. Upscale area of Southern Seoul 3. Northern Seoul Source: Kookmin Bank

Nationwide apartment rental prices in June were up 0.8 percent, decelerating from the previous month's 1.1 percent. Minimal price increases persisted in Seoul (up 0.5%, m-o-m), the Seoul metropolitan area (up 0.5%, m-o-m) and Gyeonggi Province (up 0.6%, m-o-m).

#### Apartment rental price increase in major districts in Seoul (m-o-m, %)

Gangnam (1.0), Seocho (0.7), Songpa (0.4), Gwanak (1.8)

#### Nationwide apartment rental prices

(Percentage change from previous period)

	2007	2008	2009	2010	2011									
	Annual	Annual	Annual	Annual	Jan	Feb	Mar	Apr	May	Jun	Jun 6 <sup>1</sup>	Jun 13 <sup>1</sup>	Jun 20 <sup>1</sup>	Jun 27 <sup>1</sup>
Nationwide	1.9	0.8	4.5	8.8	1.1	2.0	2.3	1.6	1.1	0.8	0.20	0.22	0.22	0.23
Seoul	2.2	-1.8	8.1	7.4	1.1	2.1	1.8	0.7	0.3	0.5	0.14	0.16	0.19	0.25
Gangnam <sup>2</sup>	0.5	-3.6	10.4	8.8	1.3	1.9	1.4	0.6	0.3	0.6	0.20	0.22	0.19	0.35
Gangbuk <sup>3</sup>	4.6	0.5	5.4	5.6	1.0	2.4	2.3	0.8	0.4	0.2	0.07	0.09	0.18	0.13
Seoul metropolitan area	2.1	-0.4	5.6	7.2	1.0	2.1	2.4	1.2	0.5	0.5	0.15	0.17	0.17	0.20
5 metropolitan cities	1.1	1.6	3.9	12.0	1.3	2.1	2.2	2.2	1.9	1.3	0.30	0.35	0.27	0.27

1. Weekly trends 2. Upscale area of Southern Seoul 3. Northern Seoul Source: Kookmin Bank

Apartment sales transactions in May decreased 13.5 percent from the previous month's 55,586 to 48,077. The transactions were up 49.6 percent from the previous year's 32,141.

#### Apartment sales transactions

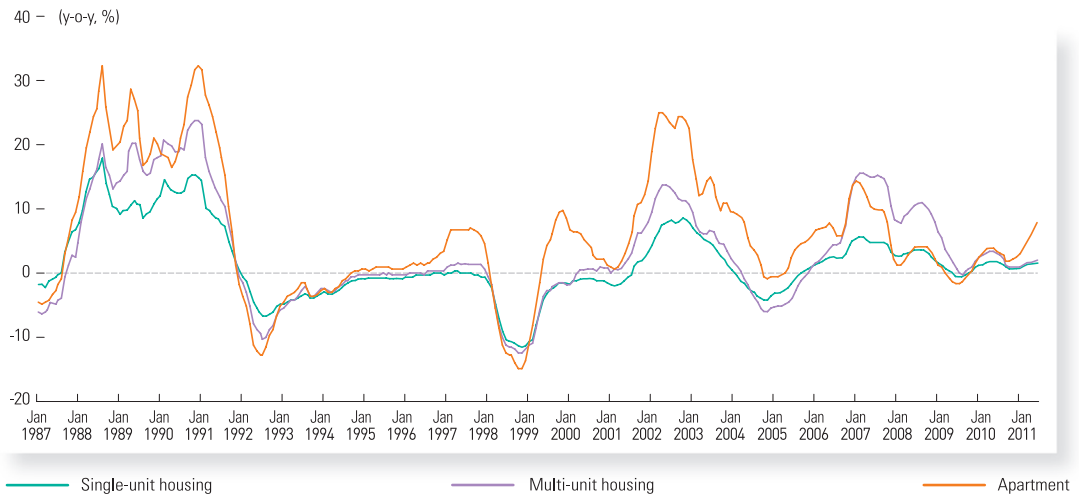
(Monthly average, thousand)

	2007	2008	2009	2010								2011				
	Annual	Annual	Annual	Annual	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Nationwide	38	39	44	40	30	32	31	34	41	54	63	45	52	59	56	48

Source: Korea Land & Housing Corporation

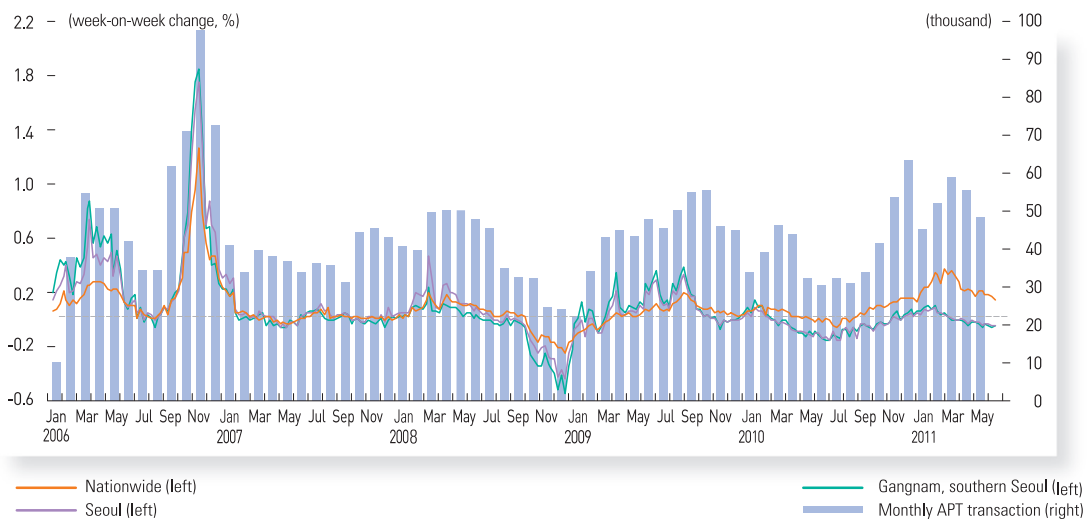
### 12-1 Real estate prices

Source: Kookmin Bank (national housing price trend)



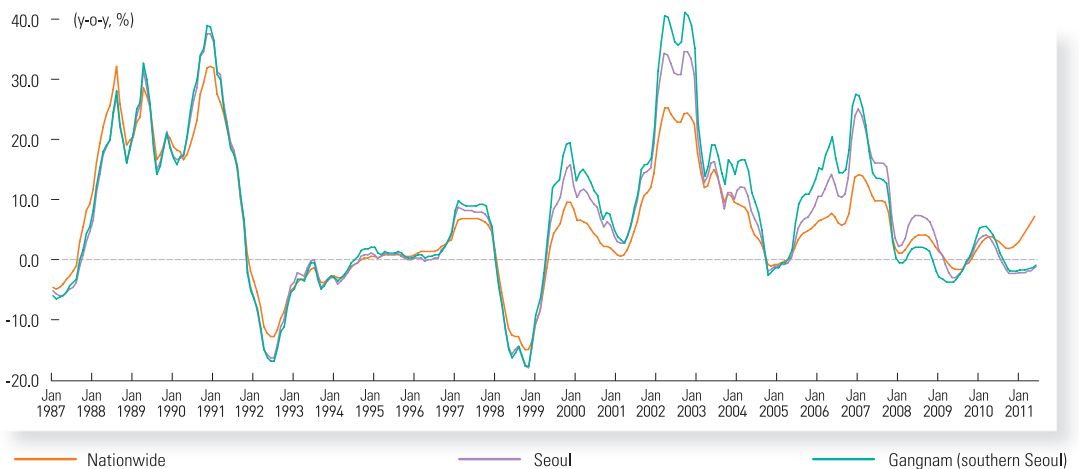
### 12-2 Weekly apartment sales prices and monthly transaction volume

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 May rose for the seventh consecutive month (*up 0.10%, m-o-m*), but were still 1.73 percent lower than the pre-crisis peak reached in October 2008. Land prices were lower compared with the previous year, but the pace of increase has slightly accelerated nationwide.

Month-on-month land prices in Seoul (*up 0.09%*), the Seoul metropolitan area (*up 0.10%*), Gyeonggi Province (*up 0.12%*) and Incheon (*up 0.06%*) continued to rise.

### Land price increases in Seoul metropolitan area (m-o-m, %)

0.10 (Jan 2011) ↻ 0.10 (Feb) ↻ 0.12 (Mar) ↻ 0.11 (Apr) ↻ 0.10 (May)

Land prices in areas excluding the Seoul metropolitan area rose 0.09 percent month-on-month in May, continuing the upward trend from October 2010.

### Land price increases in areas excluding Seoul metropolitan area (m-o-m, %)

0.07 (Jan 2011) ↻ 0.07 (Feb) ↻ 0.08 (Mar) ↻ 0.07 (Apr) ↻ 0.09 (May)

## Land prices by region

(Percentage change from previous period)

	2007	2008	2009			2010					2011					
	Annual	Annual	Annual	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Jan	Feb	Mar	Apr	May
Nationwide	3.88	-0.31	0.96	0.35	0.88	0.94	1.05	0.70	0.29	-0.05	0.11	0.09	0.09	0.11	0.10	0.10
Seoul	5.88	-1.00	1.40	0.68	1.30	0.81	0.53	0.72	0.02	-0.25	0.39	0.12	0.12	0.15	0.12	0.09
Gyeonggi	4.22	-0.26	1.22	0.37	1.13	1.36	1.49	0.96	0.53	-0.08	0.07	0.08	0.08	0.10	0.11	0.12
Incheon	4.86	1.37	1.99	0.53	1.16	1.70	1.43	1.08	0.43	-0.10	0.02	0.06	0.06	0.06	0.06	0.06

Source: Korea Land & Housing Corporation

Nationwide land transactions in May recorded 212,000 land lots, down 6.3 percent from the previous month and up 19.8 percent from 177,000 a year earlier. Land transactions were 2.2 percent lower than the five-year May average of 216,000 land lots.

Month-on-month land transactions decreased significantly in areas such as Daegu (*down 18.6%*), Gwangju (*down 16.5%*), Busan (*down 10.5%*), and Seoul (*down 8.3%*).

## Land sales transactions

(Land lot, thousand)

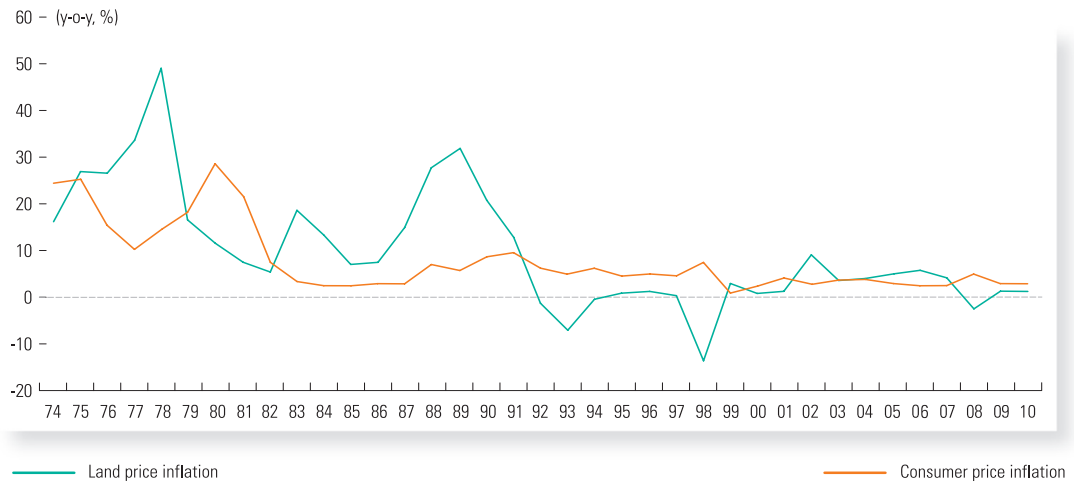
	2007	2008	2009			2010					2011					
	Annual <sup>1</sup>	Annual <sup>1</sup>	Annual <sup>1</sup>	Oct	Nov	Dec	Annual <sup>1</sup>	May	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Nationwide	208	208	203	212	207	241	187	177	181	208	257	191	176	244	226	212
Seoul	33	26	22	25	19	21	16	14	14	18	24	18	17	23	19	18
Gyeonggi	49	45	46	52	48	58	41	37	40	45	58	46	38	52	46	43
Incheon	13	13	10	14	11	12	8	10	8	9	11	8	9	13	11	13

Source: Korea Land & Housing Corporation

1. Monthly average

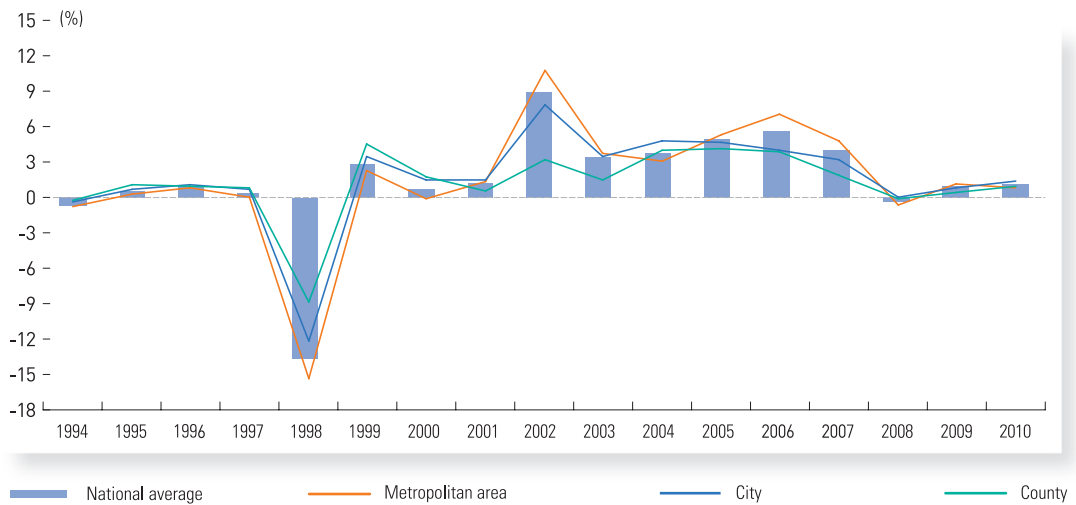
### 12-4 Land and consumer prices since 1970s

Source: Korea Land Corporation (land prices) & Statistics Korea (consumer prices)



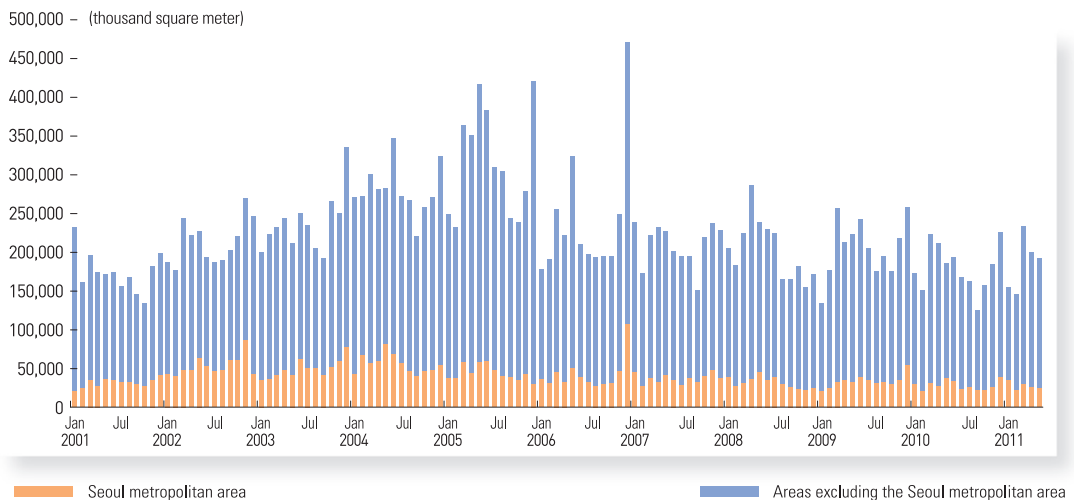
### 12-5 Land prices by region

Source: Korea Land Corporation (land price trend)



### 12-6 Land trade volume

Source: Korea Land Corporation (land trade trend)



## 13. Composite indices of business cycle indicators

The cyclical indicator of the coincident composite index rose 0.3 points in May, posting the first increase in four months since January.

Among the components of the coincident composite index, six components, including the service activity index, wholesale & retail sales index and value of construction completion, rose from the previous month, while two factors, the manufacturing operation ratio index and volume of imports, dropped.

### Components of coincident composite index in May <sup>(m-o-m)</sup>

Value of construction completion (1.8%), wholesale & retail sales index (1.6%), service activity index (0.8%), mining & manufacturing production index (0.6%), domestic shipment index (0.2%), number of non-farm payroll employment (0.2%), volume of imports (-0.2%), manufacturing operation ratio index (-0.3%)

The year-on-year leading composite index in May improved for the first time in four months (*up 0.2%p, m-o-m*), as the value of capital goods imports surged 5.3 percent.

Among the components of the leading composite index, five components, including the value of capital goods imports and composite stock price index, rose while five other factors, such as the net terms of trade index and spread between long & short term interest rates, dropped.

### Components of the leading composite index in May <sup>(m-o-m)</sup>

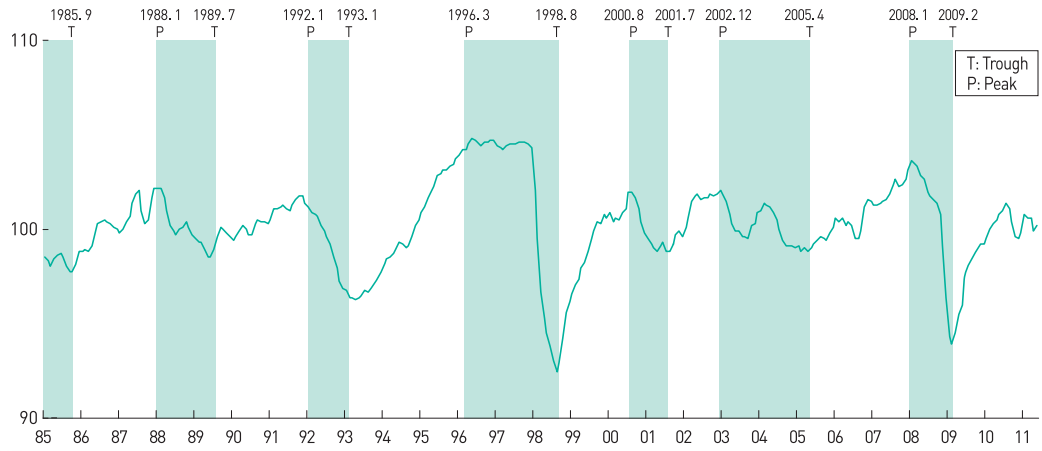
Value of capital goods imports (5.3%), composite stock price index (1.2%), value of construction orders received (0.8%), value of machinery orders received (0.6%), liquidity in the financial institutions (0.1%), consumer expectations index (-0.1p), indicator of inventory cycle (-0.2%p), spreads between long & short term interest rates (-0.2%p), ratio of job openings to job seekers (-0.4%p), net terms of trade index (-1.3%)

	2010		2011				
	Nov	Dec	Jan	Feb <sup>1</sup>	Mar <sup>1</sup>	Apr <sup>1</sup>	May <sup>1</sup>
Coincident composite index (m-o-m, %)	0.2	0.8	1.5	0.1	0.4	-0.3	0.7
Cyclical indicator of coincident composite index	99.5	99.8	100.8	100.6	100.6	99.9	100.2
(m-o-m, p)	-0.1	0.3	1.0	-0.2	0.0	-0.7	0.3
Leading composite index (m-o-m, %)	0.2	0.5	0.6	-0.2	-0.3	-0.3	0.4
12 month smoothed change in leading composite index (%)	2.8	2.9	3.0	2.3	1.6	1.1	1.3
(m-o-m, %p)	-0.5	0.1	0.1	-0.7	-0.7	-0.5	0.2

1. Preliminary

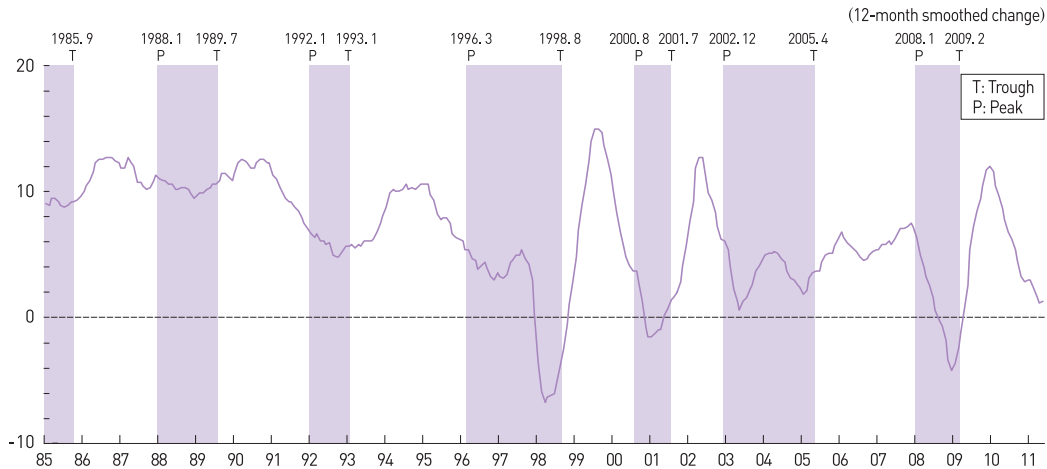
### 13-1 Cyclical indicator of coincident composite index

Source: Statistics Korea



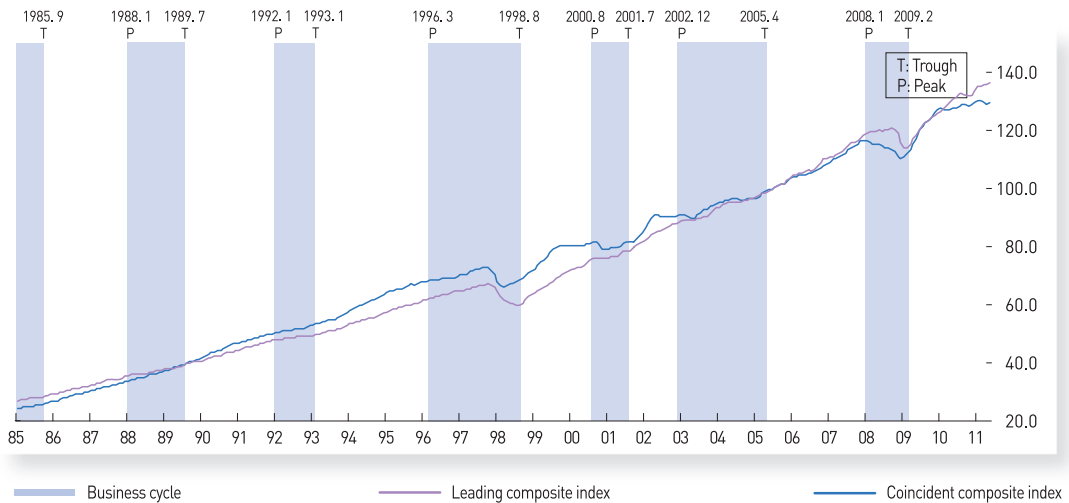
### 13-2 Leading composite index

Source: Statistics Korea



### 13-3 Coincident and leading composite indices

Source: Statistics Korea



# Policy Issues

## Economic Policy Directions for the Second Half of 2011

### Background

#### Global economic situation

While the global economy stays on a recovery track, there are still uncertainties with widening international oil price volatility, continuing political unrest in the Middle East, lingering worries over the European fiscal crisis, and upcoming economic policy shift in major economies. The global economic recovery is projected to continue led by emerging economies, though with rising inflationary pressure.

#### <Global economic growth and prospect>

(%)

	Growth			Prospect			
	2010		2011	2011 annual		2012 annual	
	Annual	Q4	Q1	IMF	OECD	IMF	OECD
Global economy	5.1	-	-	4.3	4.2	4.5	4.6
US (annualized, q-o-q)	2.9	3.1	1.8	2.5	2.6	2.7	3.1
Eurozone (annualized, q-o-q)	1.8	1.1	2.5	2.0	-0.9	1.7	2.0
Japan (annualized, q-o-q)	4.0	-1.3	-3.7	-0.7	9.0	2.9	2.2
China (annualized, q-o-q)	10.3	9.8	9.7	9.6	-	9.5	9.2

International oil prices, although stabilizing recently, are expected to stay high due to rising demand from emerging countries. International oil prices are projected to reach between US\$105 and 110 per barrel, more than the original forecast of US\$85 per barrel, despite increasing supply, and growing demand from emerging economies and the unrest in the Middle East are expected to contribute to price volatility.

### <Oil price projection>

(US\$/barrel, period average)

	Oil	2010	2011					2012
			Q1	Q2	Q3	Q4	Annual	
EIA <sup>1</sup> (June 2011)	WTI	79.4	93.5	104.4	104.0	106.0	101.9	107.0
CERA <sup>2</sup> (April 2011)	Dubai	78.0	100.5	118.1	111.7	108.1	109.6	109.3
CGES <sup>3</sup> (June 2011)	Brent	79.9	106.0	118.1	118.9	120.8	115.9	110.8

1. US Energy Information Administration

2. Cambridge Energy Research Associates

3. Center for Global Energy Studies

International grain prices, given the low level of inventories and considering worries over supply shortages, are forecast to remain high.

The international financial market, although it has been stable, might become volatile as the European fiscal crisis resurfaces and major economies start carrying out exit policies.

### **Korean economic situation**

The Korea economy is projected to continue an upward march with brisk exports and growing domestic demand, and the latter has been attributed to improving employment and rising wages as well as strong business performance. However real income and private consumption might slow down as inflation rises and terms of trade worsens, and it will take time for construction investment to rebound. With exports continuing to be robust and employment steadily improving, the Korean economy is expected to continue the recovery, although declining leading indicators requires attention. Employment is expected to remain positive, while inflationary pressures continue.

As the 2012 election is approaching and welfare demand is rising, there might be possible conflicts between sectors due to the stagnant real economy and growth gaps.

### **Prospect of the Korean economy in 2011 and 2012**

In the second half of 2011, the Korean economy will add 330,000 jobs, while achieving 4.5 percent growth. Exports will be brisk amid the recovering global economy, but domestic demand will increase slower than the original estimate, affected by a rise in oil prices and worsening terms of trade. The current account surplus, thanks to strong exports, is expected to reach US\$16 billion, while inflation will slow down with supplies stabilizing, at an annual rate of 4.0 percent.

In 2012, the Korean economy is forecast to grow at the upper half of 4 percent with 280,000 more jobs expected to be added, and consumer prices to stabilize in the low 3 percent range. The current account surplus is projected to be US\$10 billion, as imports increase due to recovering domestic demand. Against this backdrop, the Korean government designed policies for the second half of 2011.

### <Economic outlook, 2011, 2012>

(US\$, %)

	2010	2011		2012
		Original	Revised	
Employment	320,000	280,000	330,000	280,000
Prices (%)	2.9%	Around 3%	4.0%	Lower half of 3%
Growth (%)	6.2%	Around 5%	4.5%	Upper half of 4%
Current account balance (US\$)	US\$28.2 billion	US\$16.0 billion	US\$16.0 billion	US\$10 billion

## Policy directions for the second half

In the second half of 2011, the Korean government's main economic focus will be to help boost the real economy, and this will be embodied with policies aimed at stabilizing prices, creating jobs and increasing domestic demand, as well as strengthening social safety nets. The government will continue its efforts to render the economy strong enough to absorb external shocks and build a foundation for sustainable growth.

### Policies on stabilizing prices

The government plans to control inflation below 4.0 percent. To this end it will:

- minimize budget spending and control the level of liquidity,
- secure fresh food supplies through expanded tariff quotas and contract farming
- promote fair competition by tightening regulations related to trade practices
- improve distribution systems
- minimize utility fee increases and draw up guidelines to which local governments will refer when raising local public service charges
- provide incentives to leasing businesses in the Seoul metropolitan area so that they may supply more rent houses
- give tax deduction for rental expenses to those earning less than 30 million won a year
- increase the number of daycare centers and kindergartens, and expand government support to the nursery facilities
- extend childcare service to 10 o'clock at night
- extend tax incentives for working classes, such as tax deduction for credit card spending and lower VAT rates for farming and fishing devices
- encourage hospitals to avoid over-treatment so that patients can save medical expenses

### **Policies on creating jobs and boosting domestic demand**

To improve labor market flexibility and nurture industries with higher job creating potential, the government will:

- increase tax incentives given to small and medium sized enterprises (SMEs) for employing the youth and the vulnerable
- give service industries tax deduction for research investment, to the level equivalent to that for R&D
- provide companies creating more jobs with lower interest rate government loans
- offer companies creating more jobs with more opportunities for participating in government projects
- increase support for highly qualified researchers when they launch venture businesses
- raise venture capital for young entrepreneurs
- increase job training support, from 1 million won per person a year to 2 million won
- enact laws regulating work environment for part-timers
- continue to pursue a match between employment and job seekers through internship, training contracts between vocational schools and companies, etc.
- lower market entry barriers in service industries, and continue to pursue deregulation
- provide SMEs with more opportunities for government procurement and public projects

### **Policies on strengthening social safety nets and shared growth**

The government plans to develop a social safety net favorable to those willing to work, and to this end it will:

- provide expanded support in education, health care, and housing to those who just start working and are no more eligible for social security benefits
- encourage basic livelihood security recipients to work by providing financial incentives, once given to those in rehabilitation programs, when they start working as well as by giving them chances to participate in government job programs
- expand social security insurance and ease requirements for basic livelihood security recipients
- help the physically challenged with daily activities by sending helpers
- expand tax incentives for joint research projects by large enterprises and SMEs to encourage cooperation
- facilitate sharing of large enterprises' overseas networks with SMEs when jointly going into foreign markets

### **Policies on reforming the economy and growing sustainably**

To enable the Korean economy to grow sustainably, the government will:

- tightly control the level of household credit
- continue on-going corporate restructuring such as by reducing government guarantees for marginal firms and increasing support for newly established firms

- carry out restructuring on SMEs when the analysis of their credit risk, made between July and October, is completed
- strictly regulate budget spending so that Korea can achieve balanced finance by 2014
- evaluate local governments' fiscal conditions
- start a five stage program to improve public firms financial conditions in November
- continue to look for ways to lower health insurance expenditures
- nurture future growth engines by providing unwavering support to selected projects and expanding aid to SMEs' R&D projects
- promote parts manufacturing industries, establish regulations related to greenhouse gas emission reduction, and continue developing human resources
- increase financial and human resources support for private firms participating in overseas resources development

# Economic News Briefing

## Korea's growth forecast for 2011 and 2012

The Ministry of Strategy and Finance revised down its economic growth outlook for 2011 to 4.5 percent from the previous 5 percent due to higher energy prices and growing uncertainties in the global economy. The projection for consumer price increases was raised to 4 percent from an earlier forecast of 3 percent. Given the inflation pressure, the government stressed that price stability will be the top priority for economic management in the second half of this year.

Meanwhile, the finance ministry predicted economic growth to be in the upper-4 percent range in 2012 as domestic and global economic conditions are likely to improve further. Consumer prices will stabilize at lower-3 percent level next year.

## Korea's economic forecast by major institutions

(unit: %)

	2011					2012				
	MOSF <sup>1</sup>	BOK <sup>2</sup>	KDI <sup>3</sup>	IMF	OECD	MOSF	BOK	KDI	IMF	OECD
Growth	4.5	4.5	4.2	4.5	4.6	Upper-4	4.8	4.3	4.2	4.5
Consumer prices	4.0	3.9	4.1	4.3	4.2	Lower-3	3.4	3.3	3.6	3.5

1. The Ministry of Strategy and Finance

2. The Bank of Korea

3. Korea Development Institute

## **Korea-EU FTA takes effect**

A free trade agreement (FTA) between Korea and the European Union (EU) came into effect on July 1. The agreement, which was officially signed by both parties on October 6, 2010, was given approval by the European Parliament in February this year, and by the Korean National Assembly in May. A free trade accord with the world's largest market is expected to give Korea a valuable opportunity to boost trade and investment with Europe. Meanwhile, the total bilateral trade volume between Korea and EU was US\$92.2 billion in 2010, with Korea having a US\$14.8 billion trade account surplus against EU.

## **Korea unveils measures to tackle household debt**

As Korea's household debt reached 801.4 trillion won, with an annual growth rate of 13 percent on average since the Asian financial crisis, the Korean government has unveiled a series of measures to enhance the soundness of household debt. Although the current level of household debt is still manageable, Korea came up with a package of new measures to prevent potential risks posed by household debt.

In order to keep household debt growth at a manageable pace, higher BIS risk weights will be applied to high-risk mortgage loans and excessive loans disproportionately concentrated on certain sectors. A deadline for banks to meet the cap of the 100 percent of loan-to-deposit (LTD) ratio will be pushed forward to the end of June 2012. For the non-banking sector, leverage regulations for credit business companies will be introduced. In addition, the use of debit cards over credit cards will be encouraged by giving tax incentives.

Meanwhile, the government will provide more tax reductions for borrowers who switch to fixed-rate mortgages and repay principal in installments. Korea will also promote long-term financing of banks by promoting banks' issuance of mortgage-backed securities and covered bonds. For low-income households, the government will ensure the access of microcredit programs such as Smile Microcredit, Sunshine Loans and New Hope Loans.

## **Financial authorities announce savings bank reform measures**

Korea's financial authorities unveiled savings bank reform measures for the second half of the year. Earlier this year, the authorities had taken steps to ease investors' unrest and stabilize the savings bank industry by promptly suspending ailing savings banks and putting

additional 5 trillion won into a restructuring fund managed by Korea Asset Management Corporation (KAMCO).

In order to ensure the industry's soft landing, financial authorities will purchase soured project financing (PF) loans through KAMCO's restructuring fund. In addition, implementation of International Financial Reporting Standards (IFRS) on listed savings banks will be put off until 2016.

The authorities will also examine the financial soundness and capital adequacy ratios of 85 savings banks, and announce appropriate measures based on the assessments by the end of September. Savings banks with a BIS capital adequacy ratio below 5 percent will be given up to a year to improve their financial soundness, and those with a BIS capital adequacy ratio exceeding 5 percent will be eligible to receive funding from the financial stability fund. Savings banks that are deemed incapable of normalizing operations on their own will be put up for sale.

## Trade figures for the first half of 2011

The Ministry of Knowledge Economy announced Korea's trade figures for the first half of 2011. According to the data, Korea's trade volume totaled US\$533.4 billion, a record high, during the first six months of 2011. Exports gained 24.4 percent year-on-year to US\$275.4 billion while imports grew 26.6 percent to US\$258.0 billion. Korea's trade surplus stayed at a similar level to the previous year, posting US\$17.4 billion. For the whole year of 2011, exports are expected to post US\$557 billion whereas imports are to reach US\$28 billion. Trade surplus is forecast to post US\$29 billion this year.

### Exports and Imports for the First Six Months of 2011

(US\$ billion)

	2010		2011					
	Jan-Jun	Jan	Feb	Mar	Apr	May	Jun	Jan-Jun <sup>1</sup>
Exports <sup>2</sup>	221.3 (34.3) <sup>3</sup>	44.5 (44.7)	38.5 (16.5)	48.1 (28.8)	48.6 (23.7)	47.6 (22.4)	48.2 (14.5)	275.4 (24.4)
Imports <sup>2</sup>	203.8 (40.2)	41.8 (32.7)	36.3 (17.0)	45.5 (27.8)	44.1 (24.0)	45.4 (30.3)	44.9 (27.4)	258.0 (26.6)
Trade Balance	17.5	2.6	2.2	2.6	4.5	2.2	3.3	17.4

1. Figures for first six months of 2011 are based on tentative customs clearance data.

2. Volume of exports and imports are based on customs clearance data.

3. Year-on-year growth rates are shown in parentheses.

## Korea sets specific greenhouse gas reduction target

The Korean government plans to come up with a specific greenhouse gas reduction target, in a follow up to the national greenhouse gas reduction target of 30 percent from the business-as-usual (BAU) levels set on November 2009. The target, divided into 7 sectors and 25 sub-sectors, will be confirmed by the end of July.

The tentative greenhouse gas reduction target by sector is as follows: 18.2 percent for industries, 26.7 percent for greenhouse gas conversion, 34.3 percent for transportation, 26.9 percent for buildings, 5.2 percent for agriculture and fishery, 12.3 percent for waste management, and 25 percent for miscellaneous public sectors. The emission reduction plan, a blueprint for the nation's "low carbon green growth" agenda, will not only help reduce greenhouse gases, but will also facilitate the development of green technologies and new industries.

## New labor union law goes into effect

The Trade Union and Labor Relations Adjustment Act was amended to allow multiple labor unions at a single workplace. The new labor law, which entered into force from July 1, enables workers to choose among a variety of unions and thus stimulates competition among labor groups to secure more union members. Although workers are allowed to set up two or more unions at a single workplace, multiple unions are required to select a representative trade union to conduct bargaining with the company. If multiple unions fail to establish a single bargaining channel, the union with a majority membership should be the representative union.

# Statistical Appendices

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6. Machinery orders received, domestic machinery shipment, and estimated facility investment index
7. Value of construction completion and domestic construction orders received
8. Composite indices of business cycle indicators and BSI
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10. Balance of payments (II)
11. Prices
12. Employment
13. Financial indicators
14. Monetary indicators
15. Exchange rates

# 1. National accounts

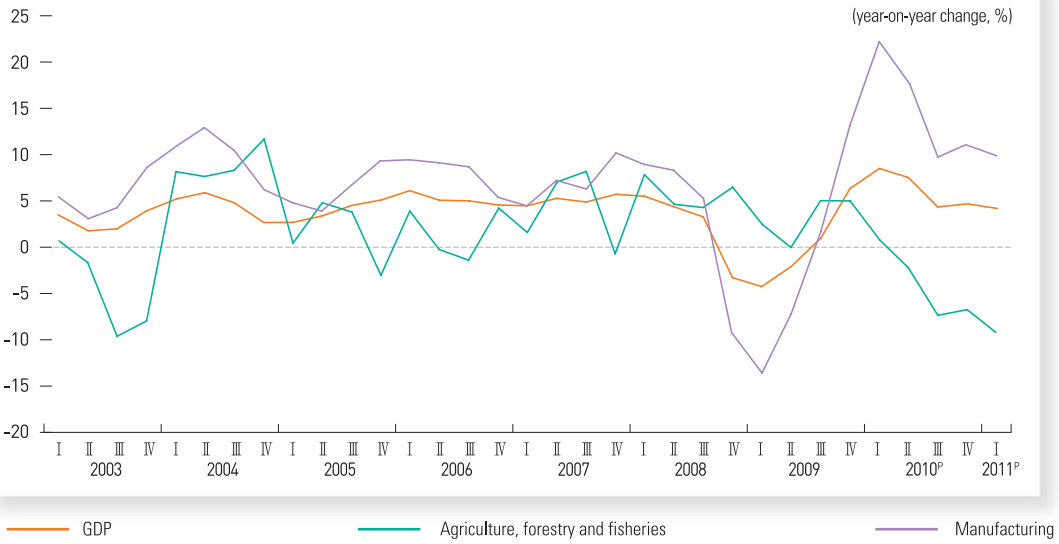
(year-on-year change, %, chained 2005 year prices)

Period	Real GDP			Final consumption expenditure	Gross fixed capital formation			
		Agri., fores. & fisheries	Manufacturing			Construction	Facilities	
2003		2.8	-5.4	5.4	0.5	4.4	8.5	-1.5
2004		4.6	9.1	10.0	1.0	2.1	1.3	3.8
2005		4.0	1.3	6.2	4.6	1.9	-0.4	5.3
2006		5.2	1.5	8.1	5.1	3.4	0.5	8.2
2007		5.1	4.0	7.2	5.1	4.2	1.4	9.3
2008		2.3	5.6	2.8	2.0	-1.9	-2.8	-1.0
2009		0.3	3.2	-1.5	1.2	-1.0	3.4	-9.8
2010 <sup>P</sup>		6.2	-4.3	14.6	3.9	7.0	-1.4	25.0
2003	I	3.5	0.7	5.4	2.0	5.1	8.2	2.9
	II	1.8	-1.6	3.1	0.3	4.7	8.4	-0.7
	III	2.0	-9.6	4.3	0.0	2.8	8.3	-5.8
	IV	3.9	-8.0	8.5	-0.4	5.0	9.0	-2.2
2004	I	5.2	8.2	10.9	-0.1	2.3	5.3	-0.6
	II	5.9	7.6	12.9	1.3	4.9	4.2	6.4
	III	4.8	8.3	10.4	1.0	3.1	1.2	7.7
	IV	2.7	11.6	6.2	1.8	-1.4	-3.5	1.8
2005	I	2.7	0.4	4.8	2.7	-0.3	-3.1	3.4
	II	3.4	4.8	3.9	4.7	1.8	0.9	2.8
	III	4.5	3.8	6.7	5.9	1.5	-0.3	4.1
	IV	5.1	-3.1	9.3	4.9	3.9	0.3	10.8
2006	I	6.1	3.9	9.4	5.8	3.8	1.9	7.2
	II	5.1	-0.3	9.1	4.9	0.1	-4.2	8.0
	III	5.0	-1.4	8.7	4.6	4.0	-0.5	12.0
	IV	4.6	4.2	5.4	5.1	5.7	5.1	5.7
2007	I	4.5	1.6	4.5	5.1	7.3	4.4	12.6
	II	5.3	7.0	7.2	5.4	5.7	2.0	13.0
	III	4.9	8.2	6.3	5.3	1.5	-0.2	4.0
	IV	5.7	-0.7	10.2	4.7	3.1	0.4	8.0
2008	I	5.5	7.8	8.9	4.3	-0.6	-2.5	2.8
	II	4.4	4.6	8.3	3.0	0.6	-0.5	2.0
	III	3.3	4.3	5.3	2.4	2.1	0.4	5.3
	IV	-3.3	6.5	-9.4	-1.7	-8.7	-7.7	-13.3
2009	I	-4.2	2.5	-13.6	-2.2	-7.5	1.6	-21.9
	II	-2.1	0.0	-7.1	0.7	-3.0	4.3	-18.1
	III	1.0	5.0	1.8	1.5	-1.0	3.2	-9.4
	IV	6.3	5.0	13.1	4.8	6.2	4.0	12.2
2010 <sup>P</sup>	I	8.5	0.9	22.2	5.9	12.5	4.3	29.1
	II	7.5	-2.2	17.8	3.4	6.8	-2.3	30.5
	III	4.4	-7.3	9.8	3.4	6.8	-3.1	26.6
	IV	4.7	-6.7	11.1	3.0	3.4	-2.9	15.9
2011 <sup>P</sup>	I	4.2	-8.6	9.8	2.5	-2.2	-11.9	11.7

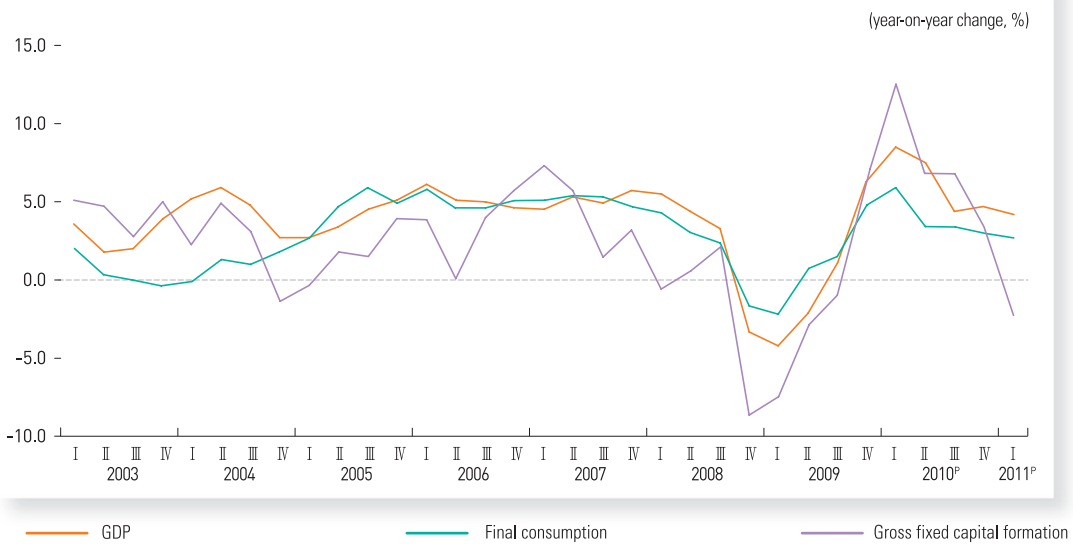
P: Preliminary

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, 2005 = 100)

Period	Production index		Shipment index		Inventory index		Service production index	
	Production index	Y-o-Y change (%)	Shipment index	Y-o-Y change (%)	Inventory index	Y-o-Y change (%)	Service production index	Y-o-Y change (%)
2009	119.7	-0.1	116.7	-1.4	115.5	-7.8	118.3	1.8
2010	139.1	16.2	133.5	14.4	135.6	17.4	122.9	3.9
2009 I	103.5	-15.1	102.6	-14.4	115.9	-6.2	112.9	-1.1
II	118.7	-5.4	116.6	-5.2	110.4	-17.0	118.0	1.1
III	125.3	4.9	120.7	2.3	113.0	-14.3	118.9	2.4
IV	131.2	16.8	126.9	12.9	115.5	-7.8	123.4	4.8
2010 I	129.8	25.4	124.0	20.9	124.6	7.5	119.9	6.2
II	141.0	18.8	135.1	15.9	127.7	17.5	122.9	4.2
III	139.0	10.9	132.7	9.9	134.6	19.1	121.6	2.3
IV	146.6	11.7	142.0	11.9	135.6	17.4	127.3	3.2
2011 I	143.6	10.6	138.7	11.9	137.4	10.3	123.1	2.7
2009 1	94.4	-25.3	93.7	-23.1	123.9	0.1	112.1	-1.6
2	100.7	-9.4	100.3	-8.7	117.7	-5.2	109.9	0.0
3	115.3	-10.1	113.8	-10.7	115.9	-6.2	116.7	-1.4
4	117.2	-7.4	115.6	-7.4	112.3	-9.8	117.1	0.9
5	116.1	-8.2	113.8	-7.9	111.5	-13.3	117.6	-0.2
6	122.7	-0.6	120.5	0.0	110.4	-17.0	119.2	2.6
7	124.6	1.0	120.1	-1.2	111.5	-15.7	117.9	1.2
8	117.8	1.4	113.6	-1.0	112.0	-15.1	117.0	1.6
9	133.4	12.1	128.3	9.1	113.0	-14.3	121.8	4.5
10	128.1	1.2	124.0	-0.2	112.4	-16.4	119.3	2.3
11	130.7	18.5	126.6	15.3	113.6	-14.6	119.3	4.2
12	134.8	34.8	130.1	26.2	115.5	-7.8	131.6	7.7
2010 1	129.3	37.0	123.1	31.4	119.8	-3.3	118.5	5.7
2	119.1	18.3	113.6	13.3	123.3	4.8	116.7	6.2
3	141.1	22.4	135.2	18.8	124.6	7.5	124.4	6.6
4	140.0	19.5	134.7	16.5	126.3	12.5	121.5	3.8
5	140.0	20.6	133.4	17.2	129.9	16.5	123.3	4.8
6	142.9	16.5	137.3	13.9	129.7	17.5	124.0	4.0
7	143.1	14.8	135.7	13.0	134.1	20.3	122.4	3.8
8	136.5	15.9	131.0	15.3	134.5	20.1	120.9	3.3
9	137.3	2.9	131.4	2.4	134.6	19.1	121.6	-0.2
10	145.3	13.4	140.8	13.5	133.5	18.8	123.2	3.3
11	145.3	11.2	141.4	11.7	132.8	16.9	123.8	3.8
12	149.2	10.7	143.9	10.6	135.6	17.4	134.9	2.5
2011 1	146.9	13.6	141.4	14.9	135.4	13.0	124.1	4.7
2	129.8	9.0	125.2	10.2	137.1	11.2	116.9	0.2
3	154.0	9.1	149.6	10.7	137.4	10.3	128.2	3.1
4P	149.7	6.9	144.7	7.4	137.3	8.7	125.3	3.1
5P	151.6	8.3	144.6	8.4	140.1	7.9	127.7	3.6

P: Preliminary  
Source: Statistics Korea

### 3. Production capacity and operation ratio See graph 6-2

Period	Production capacity index (2005=100)	Y-o-Y change (%)	Operation ratio index (2005=100)	Y-o-Y change (%)	Average operation ratio (%)
2009	119.3	3.5	93.8	-3.5	74.4
2010	127.9	7.2	102.1	8.8	81.2
2009	I	117.0	81.7	-17.7	67.0
	II	118.0	95.3	-7.6	74.3
	III	120.1	97.8	2.4	77.8
	IV	122.2	100.3	10.1	78.4
2010	I	124.3	97.4	19.2	80.4
	II	126.5	105.6	10.8	82.3
	III	129.5	99.6	1.8	81.2
	IV	131.3	105.6	5.3	80.8
2011	I	132.7	99.9	2.6	83.1
2009	1	116.9	73.7	-28.6	63.7
	2	116.9	79.8	-10.8	67.3
	3	117.1	91.6	-12.8	70.0
	4	117.7	94.1	-10.1	72.5
	5	117.7	93.3	-9.7	73.7
	6	118.5	98.4	-2.8	76.6
	7	119.3	98.8	-1.0	77.7
	8	119.8	91.0	-1.3	76.4
	9	121.1	103.6	9.6	79.3
	10	121.6	99.1	-4.8	77.8
	11	121.9	100.5	12.4	78.0
	12	123.1	101.2	27.0	79.3
2010	1	123.6	97.1	31.8	79.3
	2	123.9	88.4	10.8	80.5
	3	125.3	106.7	16.5	81.5
	4	125.5	106.1	12.8	81.7
	5	126.5	103.8	11.3	82.1
	6	127.4	107.0	8.7	83.1
	7	128.6	105.3	6.6	82.7
	8	129.7	96.2	5.7	79.7
	9	130.1	97.2	-6.2	81.2
	10	130.8	106.6	7.6	79.7
	11	131.1	105.4	4.9	80.5
	12	132.1	104.9	3.6	82.2
2011	1	132.2	102.5	5.6	84.8
	2	132.5	89.5	1.2	82.2
	3	133.4	107.8	1.0	82.4
	4 <sup>P</sup>	133.7	104.6	-1.4	80.4
	5 <sup>P</sup>	133.6	104.8	1.0	81.4

P: Preliminary  
Source: Statistics Korea

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

(constant prices, 2005 = 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 (%)
2009	113.6	2.7	136.8	8.2	106.3	1.3	111.3	1.2
2010	121.1	6.6	157.2	14.9	113.5	6.8	113.7	2.2
2009 I	106.5	-4.5	114.7	-11.7	103.1	-0.5	107.7	-1.4
II	113.4	1.5	142.0	5.9	107.7	0.5	109.2	0.4
III	111.9	2.8	135.5	7.7	94.3	0.3	114.3	1.8
IV	122.4	10.9	155.1	34.1	120.2	4.5	113.9	4.0
2010 I	116.8	9.7	148.7	29.6	105.7	2.5	111.1	3.2
II	118.9	4.9	149.9	5.6	114.4	6.2	112.8	3.3
III	120.3	7.5	158.5	17.0	100.5	6.6	117.7	3.0
IV	128.6	5.1	171.6	10.6	133.6	11.1	113.1	-0.7
2011 I	122.7	5.1	167.9	12.9	112.2	6.1	112.0	0.8
2009 1	108.5	-2.9	104.1	-18.9	103.6	-0.8	114.8	5.5
2	101.2	-5.7	116.0	-1.5	97.1	-0.7	99.2	-8.5
3	109.7	-4.9	124.0	-13.6	108.5	0.0	109.2	-1.2
4	108.6	-4.2	123.9	-10.9	109.3	0.7	106.8	-2.5
5	117.0	1.7	144.0	5.9	113.3	1.1	113.1	0.7
6	114.6	7.6	158.0	24.3	100.4	-0.5	107.6	3.0
7	110.8	1.1	138.2	-1.8	95.4	-2.3	110.8	4.4
8	106.7	0.5	122.5	0.8	86.5	0.3	112.9	0.8
9	118.2	6.8	145.9	26.6	101.1	3.1	119.3	0.4
10	120.6	9.9	144.8	16.9	116.1	4.0	116.6	9.4
11	119.6	9.8	153.5	41.0	121.8	1.2	109.2	1.4
12	127.1	12.8	167.1	46.1	122.6	8.4	116.0	1.5
2010 1	115.8	6.7	145.5	39.8	108.4	4.6	108.7	-5.3
2	114.2	12.8	141.3	21.8	99.6	2.6	112.1	13.0
3	120.3	9.7	159.2	28.4	109.1	0.6	112.6	3.1
4	116.5	7.3	144.6	16.7	113.1	3.5	110.4	3.4
5	121.2	3.6	147.0	2.1	120.7	6.5	116.0	2.6
6	118.9	3.8	158.1	0.1	109.3	8.9	112.1	4.2
7	120.7	8.9	164.0	18.7	103.5	8.5	115.1	3.9
8	116.7	9.4	154.4	26.0	90.2	4.3	116.4	3.1
9	123.5	4.5	157.0	7.6	107.7	6.5	121.6	1.9
10	125.5	4.1	165.2	14.1	130.0	12.0	111.1	-4.7
11	127.8	6.9	172.1	12.1	133.4	9.5	111.9	2.5
12	132.6	4.3	177.4	6.2	137.3	12.0	116.2	0.2
2011 1	128.1	10.6	165.9	14.0	120.4	11.1	118.9	9.4
2	113.3	-0.8	154.2	9.1	101.6	2.0	104.3	-7.0
3	126.6	5.2	183.5	15.3	114.6	5.0	112.7	0.1
4 <sup>P</sup>	122.4	5.1	167.4	15.8	121.5	7.4	108.7	-1.5
5 <sup>P</sup>	128.7	6.2	176.3	19.9	127.2	5.4	116.2	0.2

P: Preliminary  
Source: Statistics Korea

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

See graph 2-6

Period	Domestic consumer goods shipment index (2005=100)						Consumer sentiment index
			Durable goods	Y-o-Y change (%)	Non-durable goods	Y-o-Y change (%)	
2009	116.4	1.4	135.1	6.5	108.9	-0.9	-
2010	122.0	4.8	139.6	3.3	115.0	5.6	-
2009 I	107.7	-8.3	113.4	-14.9	105.3	-5.2	-
II	114.8	-0.8	139.9	2.5	104.7	-2.5	-
III	119.9	5.4	139.4	13.3	112.0	1.7	-
IV	123.3	10.2	147.8	29.2	113.4	2.2	-
2010 I	118.5	10.0	136.7	20.5	111.2	5.6	-
II	119.9	4.4	139.5	-0.3	112.1	7.1	-
III	122.0	1.8	139.2	-0.1	115.1	2.8	-
IV	127.6	3.5	142.9	-3.3	121.6	7.2	-
2011 I	120.8	1.9	134.9	-1.3	115.2	3.6	-
2009 1	107.6	-14.2	99.0	-25.3	111.0	-9.4	84
2	103.8	-2.5	115.5	-6.2	99.0	-0.8	85
3	111.7	-7.4	125.7	-12.8	106.0	-4.6	84
4	112.6	-6.0	120.6	-16.4	109.3	-0.7	98
5	113.5	-1.9	140.7	2.8	102.6	-4.3	105
6	118.4	6.0	158.4	23.3	102.3	-2.6	106
7	119.0	1.0	146.3	8.9	108.0	-2.8	109
8	110.9	-0.7	125.8	6.1	104.9	-3.7	114
9	129.7	15.8	146.1	25.8	123.1	11.6	114
10	121.7	1.7	139.5	9.2	114.5	-1.8	117
11	118.5	10.7	146.7	32.2	107.2	1.7	113
12	129.6	18.8	157.1	50.5	118.6	6.8	113
2010 1	123.7	15.0	136.0	37.4	118.8	7.0	113
2	110.3	6.3	129.7	12.3	102.6	3.6	111
3	121.6	8.9	144.5	15.0	112.3	5.9	110
4	120.5	7.0	135.4	12.3	114.6	4.8	110
5	117.5	3.5	135.3	-3.8	110.4	7.6	111
6	121.8	2.9	147.7	-6.8	111.4	8.9	112
7	121.9	2.4	145.6	-0.5	112.4	4.1	112
8	120.5	8.7	133.9	6.4	115.2	9.8	110
9	123.6	-4.7	138.0	-5.5	117.8	-4.3	109
10	129.3	6.2	145.7	4.4	122.8	7.2	108
11	128.3	8.3	144.7	-1.4	121.8	13.6	110
12	125.3	-3.3	138.4	-11.9	120.1	1.3	109
2011 1	129.6	4.8	133.0	-2.2	128.2	7.9	108
2	105.9	-4.0	125.6	-3.2	98.0	-4.5	105
3	127.0	4.4	146.1	1.1	119.4	6.3	98
4 <sup>P</sup>	118.5	-1.7	133.0	-1.7	112.7	-1.7	100
5 <sup>P</sup>	116.3	-1.0	131.0	-3.2	110.5	0.1	104
6	-	-	-	-	-	-	102

Source: Statistics Korea & The Bank of Korea

## 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 (2005=100)	Domestic machinery shipment excluding ship (2005=100)
	Total	Public	Private	Manufacturing		
2010	23,360	2,330	21,030	12,279	133.2	135.0
2010 I	5,544	525	5,019	2,910	120.5	116.7
II	6,247	402	5,845	3,564	137.5	144.2
III	5,662	380	5,282	3,026	139.1	136.2
IV	5,908	1,023	4,885	2,779	135.6	142.8
2011 I	6,627	471	6,156	3,744	128.5	133.1
2010 1	1,767	169	1,598	1,008	103.7	108.3
2	1,641	107	1,534	880	112.8	102.7
3	2,135	249	1,886	1,022	145.1	139.1
4	1,843	127	1,716	1,054	132.9	139.4
5	2,189	115	2,074	1,329	132.4	140.9
6	2,214	160	2,055	1,180	147.2	152.2
7	2,092	105	1,987	1,068	139.1	138.6
8	1,710	106	1,604	897	140.8	132.8
9	1,860	169	1,691	1,061	137.5	137.1
10	1,719	101	1,618	964	130.8	134.8
11	1,770	102	1,668	981	134.7	136.7
12	2,418	820	1,599	834	141.2	156.9
2011 1	2,115	116	2,000	1,156	125.7	127.6
2	2,070	122	1,948	1,148	113.9	123.6
3	2,442	233	2,209	1,440	145.8	148.1
4 <sup>P</sup>	1,965	102	1,869	1,158	132.5	139.8
5 <sup>P</sup>	2,121	185	1,936	1,141	146.3	152.4
<i>Y-o-Y change (%)</i>						
2010	11.2	-37.9	21.8	32.3	25.1	22.5
2010 I	10.3	-43.7	22.6	45.6	30.0	18.1
II	24.7	-42.2	35.5	58.5	29.5	25.7
III	-0.2	-71.7	22.0	27.4	29.3	27.4
IV	11.3	31.4	7.8	4.5	13.6	18.4
2011 I	19.5	-10.3	22.7	28.7	6.6	14.1
2010 1	11.8	-27.1	18.5	39.4	26.3	27.6
2	-2.0	-79.4	32.8	66.8	23.7	5.2
3	20.6	37.2	18.7	36.7	38.3	22.1
4	27.2	39.0	26.4	57.1	32.5	24
5	56.3	19.6	59.1	101.1	28.4	32.1
6	2.6	-68.6	24.4	28.8	27.7	21.8
7	-16.5	-90.2	38.7	41.8	31.5	28.1
8	26.6	48.9	25.3	37.1	41.2	36.9
9	2.3	-15.5	4.5	9.6	17.1	18.8
10	9.9	20.8	9.3	13.2	21.6	25
11	-9.2	-76.5	10.0	4.2	13.1	19.5
12	34.9	213.9	4.3	-3.7	7.4	12.4
2011 1	19.7	-31.5	25.1	14.6	22.2	17.8
2	26.1	14.0	27.0	30.4	1.0	20.4
3	14.4	-6.3	17.1	41.0	0.5	6.5
4 <sup>P</sup>	6.6	-19.6	8.6	9.8	-0.3	0.3
5 <sup>P</sup>	-3.1	60.5	-6.6	-14.1	10.5	8.2

P: Preliminary  
Source: Statistics Korea

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

See graphs 4-2 & 4-3

(current prices, billion won)

Period	Value of construction completion (total)	Type of order		Domestic construction orders received (total)	Type of order	
		Public	Private		Public	Private
2010	92,238	35,163	52,777	88,675	29,013	54,628
2010 I	20,329	7,467	11,977	18,110	7,955	9,087
II	24,082	9,129	13,931	25,295	6,890	16,737
III	22,005	7,784	13,160	19,095	6,814	11,406
IV	25,823	10,784	13,708	26,175	7,355	17,399
2011 1	19,067	7,288	10,857	15,796	4,053	10,743
2010 1	6,496	2,257	3,972	7,043	2,410	4,274
2	6,145	2,303	3,614	4,752	2,170	2,232
3	7,687	2,908	4,391	6,314	3,375	2,582
4	7,354	2,628	4,460	6,636	1,829	4,456
5	7,741	2,841	4,537	8,717	1,672	6,652
6	8,986	3,660	4,934	9,941	3,388	5,629
7	7,453	2,690	4,419	7,475	3,903	3,351
8	7,150	2,460	4,370	4,145	1,327	2,698
9	7,401	2,634	4,371	7,475	1,584	5,355
10	7,356	2,856	4,135	4,415	1,185	3,111
11	8,041	3,278	4,401	7,551	2,023	5,217
12	10,426	4,650	5,173	14,209	4,146	9,071
2011 1	6,157	2,415	3,476	4,658	1,295	2,697
2	5,277	2,047	2,991	4,959	1,396	2,445
3	7,634	2,827	4,391	7,179	1,362	5,601
4 <sup>P</sup>	7,053	2,721	3,981	6,459	1,413	4,452
5 <sup>P</sup>	7,255	2,741	4,112	6,753	1,861	4,428
<i>Y-o-Y change (%)</i>						
2010	2.7	8.5	0.5	-18.7	-43.7	2.8
2010 I	6.3	13.8	3.8	-1.6	-14.9	8.0
II	2.0	5.5	2.6	-6.7	-61.9	105.4
III	-0.4	-1.1	1.0	-3.6	-22.0	13.2
IV	3.3	15.9	-4.8	-40.2	-52.1	34.4
2011 I	-6.2	-2.4	-9.4	-12.8	-49.1	18.2
2010 1	7.2	5.1	9.6	20.2	-11.5	49.2
2	0.8	12.9	-3.5	-4.6	-22.2	8.0
3	10.5	22.2	5.3	-16.5	-11.9	-25.8
4	-1.0	-0.1	1.0	-14.1	-68.7	178.8
5	7.3	9.6	7.8	17.4	-62.9	138.3
6	0.2	6.7	-0.3	-16.9	-56.0	49.8
7	6.7	14.0	3.9	25.6	23.5	38.3
8	6.5	1.4	11.2	-12.5	-26.2	-5.0
9	-11.8	-14.6	-9.8	-18.1	-58.0	11.4
10	0.9	10.5	-4.8	-58.8	-75.0	-45.7
11	-0.5	17.1	-9.4	-48.7	-61.4	-41.2
12	8.2	18.6	-0.5	-22.5	-22.8	-23.9
2011 1	-5.2	7.0	-12.5	-33.9	-46.3	-36.9
2	-14.1	-11.1	-17.3	-16.7	-35.7	9.5
3	-0.7	-2.8	0.0	13.7	-59.6	117.0
4 <sup>P</sup>	-4.1	3.5	-10.7	-2.7	-22.7	-0.1
5 <sup>P</sup>	-6.3	-3.5	-9.4	-22.5	11.3	-33.4

P: Preliminary  
Source: Statistics Korea

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

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

Period	Leading index (2005=100)	Y-o-Y change (%)	Coincident index (2005=100)	Cycle of coincident index (2005=100)	BSI (results)	BSI (prospects)	
2007	1	109.1	5.4	110.9	101.4	85.6	96.5
	2	110.0	5.8	111.3	101.4	87.5	93.4
	3	110.4	5.8	111.9	101.4	109.4	112.3
	4	111.0	5.9	112.4	101.5	105.8	107.7
	5	111.2	5.7	113.0	101.6	104.1	110.9
	6	112.0	6.1	113.8	101.9	100.2	105.6
	7	112.8	6.4	114.6	102.2	95.8	99.3
	8	113.6	6.7	115.3	102.4	94.4	102.5
	9	114.2	6.7	115.6	102.2	101.5	111.8
	10	115.2	7.1	116.4	102.5	108.3	116.3
	11	116.1	7.5	117.2	102.7	106.0	112.4
	12	116.7	7.4	118.3	103.2	98.9	103.4
2008	1	116.3	6.5	119.3	103.7	95.2	103.0
	2	115.6	5.1	119.6	103.5	95.6	94.8
	3	115.1	4.0	119.9	103.4	101.1	102.1
	4	114.9	3.2	119.9	102.9	101.7	98.1
	5	114.8	2.5	120.0	102.6	98.1	104.7
	6	114.2	1.4	119.8	102.0	79.1	95.3
	7	113.5	0.2	119.8	101.5	80.8	83.2
	8	113.3	-0.4	120.0	101.3	83.1	80.8
	9	113.1	-0.9	120.3	101.1	76.8	98.3
	10	112.5	-1.7	120.3	100.6	64.6	84.9
	11	111.3	-3.1	118.8	99.0	53.7	63.7
	12	110.5	-3.9	116.1	96.4	52.4	55.0
2009	1	110.8	-3.6	114.1	94.3	58.1	52.0
	2	112.2	-2.4	114.1	93.9	62.4	66.0
	3	113.4	-1.3	115.3	94.5	89.0	76.1
	4	115.3	0.5	117.1	95.5	93.7	86.7
	5	117.3	2.6	118.1	96.0	100.9	103.8
	6	119.9	5.4	120.4	97.4	96.6	100.2
	7	121.5	7.2	121.7	98.0	98.5	98.7
	8	122.5	8.4	122.7	98.4	96.0	99.8
	9	123.4	9.4	123.5	98.7	110.5	117.0
	10	124.6	10.4	124.4	98.9	107.5	116.5
	11	126.4	11.7	125.2	99.2	103.8	109.0
	12	127.2	12.0	125.8	99.2	104.8	105.9
2010	1	127.5	11.6	126.6	99.5	99.2	103.1
	2	127.0	10.4	127.8	100.0	98.7	102.3
	3	127.1	9.6	128.8	100.3	113.1	116.2
	4	126.9	8.6	129.6	100.5	108.9	111.2
	5	127.3	7.7	130.5	100.8	111.9	113.4
	6	127.7	6.8	131.4	101.0	109.4	108.9
	7	128.4	6.2	132.4	101.4	105.0	107.3
	8	128.8	5.4	132.6	101.1	98.6	100.7
	9	128.8	4.5	132.2	100.4	104.1	111.1
	10	128.4	3.3	131.8	99.6	104.3	113.1
	11	128.7	2.8	132.1	99.5	103.5	107.1
	12	129.3	2.9	133.1	99.8	102.1	104.2
2011	1	130.1	3.0	135.1	100.8	99.1	101.8
	2	129.8	2.4	135.3	100.6	92.2	98.0
	3	129.4	1.6	135.8	100.5	107.8	113.5
	4	129.0	1.1	135.6	99.9	98.4	99.3
	5	129.5	1.3	136.5	100.2	98.9	104.3
	6	-	-	-	-	99.6	104.3
	7	-	-	-	-	-	101.3

Source: Statistics Korea & 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				
2009	32,790.5	37,866.0	358,189.7	320,323.7	-6,640.5	2,276.7	-711.7
2010 <sup>P</sup>	28,213.6	41,904.0	464,286.9	422,383.1	-11,229.4	768.4	-3,229.4
2009 I	4,543.3	2,819.2	73,334.9	70,515.7	-26.0	393.9	1,356.2
II	11,557.4	13,553.3	87,038.0	73,484.7	-1,291.4	-151.1	-553.4
III	8,613.2	10,914.6	95,485.2	84,570.6	-2,663.3	948.6	-586.7
IV	8,076.6	10,578.9	102,331.6	91,752.7	-2,659.8	1,085.3	-927.8
2010 <sup>P</sup> I	263.3	4,785.4	101,354.5	96,569.1	-4,201.1	546.5	-867.4
II	8,857.9	12,240.4	117,585.0	105,344.7	-1,873.1	-1,006.5	-502.9
III	9,931.1	12,542.3	118,257.3	105,715.1	-2,954.6	1,296.1	-952.7
IV	9,161.3	12,335.9	127,090.1	114,754.2	-2,200.6	-67.6	-906.4
2011 <sup>P</sup> I	2,610.3	5,842.7	127,691.2	121,848.5	-2,538.0	387.9	-1,082.3
2009 1	-1,800.2	-2,441.3	21,910.3	24,351.6	-98.9	502.7	237.3
2	2,579.8	1,766.2	24,179.6	22,413.4	-64.1	366.2	511.5
3	3,763.7	3,494.3	27,245.0	23,750.7	137.0	-475.0	607.4
4	3,511.2	4,255.5	28,832.5	24,577.0	-15.8	-835.1	106.6
5	3,153.8	3,822.6	27,228.8	23,406.2	-555.6	205.0	-318.2
6	4,892.4	5,475.2	30,976.7	25,501.5	-720.0	479.0	-341.8
7	4,054.8	5,021.2	32,688.5	27,667.3	-1,241.2	366.3	-91.5
8	1,300.2	1,920.5	29,001.4	27,080.9	-761.3	367.9	-226.9
9	3,258.2	3,972.9	33,795.3	29,822.4	-660.8	214.4	-268.3
10	3,202.9	3,546.1	33,474.6	29,928.5	-505.9	336.2	-173.5
11	4,165.0	4,851.1	34,055.5	29,204.4	-643.6	272.5	-315.0
12	708.7	2,181.7	34,801.5	32,619.8	-1,510.3	476.6	-439.3
2010 <sup>P</sup> 1	-571.8	996.7	31,806.6	30,809.9	-1,651.8	414.6	-331.3
2	-363.1	586.3	31,119.7	30,533.4	-1,270.7	497.4	-176.1
3	1,198.2	3,202.4	38,428.2	35,225.8	-1,278.6	-365.6	-360.0
4	529.0	3,740.1	39,186.7	35,446.7	-1,268.9	-1,452.5	-489.7
5	3,998.9	3,658.4	38,250.1	34,591.7	147.4	219.8	-26.7
6	4,330.0	4,841.9	40,148.2	35,306.3	-751.6	226.2	13.5
7	4,457.9	5,268.9	41,130.1	35,861.3	-859.3	352.3	-304.0
8	1,975.7	2,826.0	37,903.4	35,077.4	-902.5	518.7	-466.5
9	3,497.5	4,447.4	39,223.8	34,776.4	-1,192.8	425.1	-182.2
10	5,112.5	5,484.9	42,012.2	36,527.3	-749.9	657.1	-279.6
11	1,934.4	3,170.8	41,939.6	38,768.8	-304.5	-690.2	-241.7
12	2,114.4	3,680.2	43,138.3	39,458.1	-1,146.2	-34.5	-385.1
2011 <sup>P</sup> 1	154.7	1,557.9	42,662.8	41,104.9	-1,640.9	703.7	-466.0
2	1,126.1	1,530.8	37,228.3	35,697.2	-569.1	542.6	-378.2
3	1,329.5	2,754.0	47,800.4	45,046.4	-328.0	-858.4	-238.1
4	1,277.6	3,327.6	47,879.4	44,551.8	-178.8	-1,581.9	-289.3
5	2,259.9	1,711.3	47,273.0	45,561.7	15.5	517.3	15.8

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						Capital transfers & acquisition of non-financial assets	Changes in reserve assets	Errors and omissions
		Direct investment	Portfolio investment	Financial derivative	Other investment				
2009	-34,651.2	-14,948.0	49,727.7	-3,093.0	2,038.9	289.6	-68,666.4	1,860.7	
2010 <sup>P</sup>	-25,331.5	-19,379.7	38,552.4	-7.4	-17,228.1	-174.2	-27,094.5	-2,882.1	
2009 I	-4,368.3	-2,777.9	2,784.6	-2,656.9	6,917.1	382.3	-9,017.4	-175.0	
II	-12,936.8	-2,032.0	15,927.2	599.0	-7,914.9	25.8	-19,541.8	1,379.4	
III	-6,977.2	-3,305.7	21,226.9	-1,050.9	-251.1	-103.9	-23,492.6	-1,636.0	
IV	-10,368.9	-6,832.4	9,789.0	15.8	3,287.8	-14.6	-16,614.6	2,292.3	
2010 <sup>P</sup> I	-155.3	-2,307.5	10,159.6	746.6	16.7	-175.6	-8,595.1	-108.0	
II	-9,099.0	-2,564.1	7,098.4	-983.9	-7,076.3	27.1	-5,600.2	241.1	
III	-7,679.6	-6,217.4	14,032.1	-388.6	-4,725.3	31.1	-10,411.5	-2,251.5	
IV	-8,397.6	-8,290.7	7,262.3	618.5	-5,443.2	-56.8	-2,487.7	-763.7	
2011 <sup>P</sup> I	-2,754.1	-4,696.3	-1,379.1	730.3	6,251.6	-181.4	-3,479.2	143.8	
2009 1	2,763.4	-643.0	4,715.2	473.2	2,644.7	61.9	-4,488.6	-963.2	
2	-4,063.6	-1,095.1	122.8	-771.2	-1,255.7	195.6	-1,260.0	1,483.8	
3	-3,068.1	-1,039.8	-2,053.4	-2,358.9	5,528.1	124.8	-3,268.8	-695.6	
4	-3,595.1	-695.3	6,879.7	274.1	-4,669.7	60.3	-5,444.1	83.9	
5	-3,865.7	-855.9	4,157.3	1,279.7	1,818.3	-16.5	-10,248.6	711.9	
6	-5,476.0	-480.8	4,890.2	-954.8	-5,063.5	-18.0	-3,849.1	583.6	
7	-2,438.2	-1,644.2	8,470.1	-155.1	-3,538.9	3.4	-5,573.6	-1,616.6	
8	-2,160.3	-865.9	4,004.4	-870.3	2,696.1	-29.4	-7,095.2	860.1	
9	-2,378.7	-795.6	8,752.4	-25.5	591.7	-77.9	-10,823.8	-879.5	
10	-4,817.0	-749.1	5,829.4	-509.1	-1,429.4	6.9	-7,965.8	1,614.1	
11	-4,229.2	-2,855.1	2,992.6	614.2	712.9	-56.4	-5,637.4	64.2	
12	-1,322.7	-3,228.2	967.0	-89.3	4,004.3	34.9	-3,011.4	614.0	
2010 <sup>P</sup> 1	-686.4	-1,070.2	118.0	241.8	7,076.7	-70.0	-6,982.7	1,258.2	
2	1,398.3	-613.7	2,484.0	549.3	-1,692.8	-43.2	714.7	-1,035.2	
3	-867.2	-623.6	7,557.6	-44.5	-5,367.2	-62.4	-2,327.1	-331.0	
4	641.8	-1,163.6	5,792.1	80.6	5,343.4	-120.5	-9,290.2	-1,170.8	
5	-5,611.5	-571.7	747.2	-854.8	-12,116.8	101.3	7083.3	1,612.6	
6	-4,129.3	-828.8	559.1	-209.7	-302.9	46.3	-3393.3	-200.7	
7	-3,528.4	-1,773.0	8,592.4	-297.3	-4,029.4	-0.2	-6020.9	-929.5	
8	-1,421.7	-1,184.2	1,061.0	61.3	93.3	57.9	-1,511.0	-554.0	
9	-2,729.5	-3,260.2	4,378.7	-152.6	-789.2	-26.6	-2,879.6	-768.2	
10	-5,869.7	-5,393.9	7,447.3	0.4	-5,216.8	-48.1	-2,658.6	757.2	
11	-2,191.7	-1,286.8	2,227.2	106.9	-1,494.4	-25.3	-1,719.3	257.3	
12	-336.2	-1,610.0	-2,412.2	511.2	1,268.0	16.6	1,890.2	-1,778.2	
2011 <sup>P</sup> 1	-1,282.0	-1,725.4	904.6	569.3	1,773.3	-120.7	-2,683.1	1,127.3	
2	-1,996.2	-1,635.1	-3,004.0	-363.3	5,126.9	-32.7	-2,088.0	870.1	
3	524.1	-1,335.8	720.3	524.3	-648.6	-28.0	1,291.9	-1,853.6	
4	394.7	-7.38.8	4,575.0	-206.2	-145.9	-33.6	-3,055.8	-1,672.3	
5	-4,027.7	-1,254.7	-1,140.1	165.1	-892.7	-49.9	-855.4	1,767.8	

P: Preliminary

Source: The Bank of Korea

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

(2005 = 100)

Period	Consumer prices				Producer prices (2005=100)		Export & import prices		
	All Items	Commodity	Service	Core	All items	Commodity	Export	Import	
2009	112.8	113.6	112.2	112.5	110.9	111.9	109.2	137.7	
2010	116.1	118.8	114.3	114.5	115.1	117.0	106.4	145.0	
2009	7	113.0	113.9	112.5	112.7	111.1	112.1	109.0	136.6
	8	113.4	114.5	112.7	112.8	111.7	112.9	109.3	139.5
	9	113.5	114.6	112.7	112.9	111.8	113.0	107.3	136.8
	10	113.2	113.9	112.8	113.0	110.9	111.8	104.0	135.3
	11	113.4	114.2	112.9	113.2	111.3	112.5	104.3	137.9
	12	113.8	115.0	113.0	113.3	111.9	113.1	105.1	138.6
2010	1	114.2	115.6	113.3	113.4	112.7	113.9	103.5	136.9
	2	114.6	116.1	113.6	113.6	113.0	114.5	104.7	137.6
	3	115.0	116.9	113.8	113.7	113.7	115.3	104.0	139.2
	4	115.6	118.1	114.0	113.9	114.6	116.4	103.8	140.9
	5	115.7	118.1	114.1	114.2	115.2	117.1	106.7	144.7
	6	115.5	117.6	114.2	114.4	114.8	116.6	109.9	147.6
	7	115.9	118.3	114.4	114.6	114.9	116.7	109.4	147.0
	8	116.3	119.0	114.6	114.8	115.2	117.1	107.4	147.4
	9	117.6	121.8	114.9	115.1	116.3	118.6	106.9	147.4
	10	117.8	122.1	115.0	115.1	116.4	118.6	105.0	146.1
	11	117.1	120.4	114.9	115.2	116.7	118.9	106.3	149.2
	12	117.8	121.9	115.0	115.6	117.8	120.5	109.6	156.1
2011	1	118.9	123.8	115.8	116.3	119.7	122.7	108.6	156.1
	2	119.8	125.1	116.4	117.1	120.5	123.9	110.6	160.9
	3	120.4	123.1	116.6	117.4	122.0	125.8	113.5	166.5
	4	120.4	125.7	116.9	117.6	122.4	126.2	111.8	167.6
	5	120.4	125.1	117.3	118.2	122.3	126.0	110.2	163.9
	6	120.6	125.3	117.5	118.6	121.9	125.5	109.4	163.2
<i>Y-o-Y change (%)</i>									
2009	2.8	3.4	2.4	3.6	-0.2	-0.5	-0.2	-4.1	
2010	2.9	4.6	4.2	1.8	3.8	4.6	-2.6	5.3	
2009	7	1.6	0.9	2.2	3.2	3.8	-5.1	-2.7	-12.9
	8	2.2	2.0	2.2	3.1	-3.0	-4.0	-1.1	-7.0
	9	2.2	2.2	2.1	2.7	-2.6	-3.4	-7.2	-10.8
	10	2.0	2.0	2.0	2.6	-3.1	-4.2	-16.5	-15.3
	11	2.4	3.5	1.8	2.5	-0.4	-0.7	-13.4	-7.5
	12	2.8	4.4	1.8	2.2	1.8	2.0	-8.6	-1.4
2010	1	3.1	4.7	2.0	2.1	2.8	3.2	-6.9	-0.9
	2	2.7	3.6	2.2	1.9	2.4	2.7	-10.2	-4.1
	3	2.3	3.2	1.8	1.5	2.6	2.9	-12.2	-4.3
	4	2.6	3.8	1.8	1.5	3.2	3.8	-6.7	5.1
	5	2.7	4.0	1.9	1.6	4.6	5.5	0.4	11.3
	6	2.6	3.8	1.9	1.7	4.6	5.5	1.5	8.0
	7	2.6	3.9	1.7	1.7	3.4	4.1	0.3	7.5
	8	2.6	3.9	1.7	1.8	3.1	3.7	-1.7	5.7
	9	3.6	6.3	2.0	1.9	4.0	5.0	-0.4	7.8
	10	4.1	7.2	2.0	1.9	5.0	6.1	1.0	8.1
	11	3.3	5.4	1.8	1.8	4.9	5.7	1.9	8.2
	12	3.5	6.0	1.8	2.0	5.3	6.5	4.3	12.7
2011	1	4.1	7.1	2.2	2.6	6.2	7.7	4.9	14.1
	2	4.5	7.8	2.5	3.1	6.6	8.2	5.6	16.9
	3	4.7	7.9	2.5	3.3	7.3	9.1	9.1	19.6
	4	4.2	6.4	2.5	3.2	6.8	8.4	7.7	19.0
	5	4.1	5.9	2.8	3.5	6.2	7.6	3.3	13.2
	6	4.4	6.5	2.9	3.7	6.2	7.6	-0.4	10.5

Source: The Bank of Korea

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

Period	Economically active persons (thous.)				Unemployment (%)	Wage workers (thous.)				
	Employed persons (thous.)					Regular	Temporary	Daily		
	All industry	Manufacturing	S.O.C.&service							
2009	24,394	23,506	3,836	17,998	3.6	16,454	9,390	5,101	1,963	
2010	24,748	23,829	4,028	18,214	3.7	16,971	10,086	5,068	1,817	
2009 7	24,756	23,828	3,802	18,210	3.7	16,589	9,383	5,255	1,952	
8	24,525	23,620	3,761	18,048	3.7	16,479	9,472	5,117	1,890	
9	24,630	23,805	3,810	18,155	3.4	16,687	9,606	5,151	1,931	
10	24,655	23,856	3,858	18,130	3.2	16,690	9,628	5,170	1,892	
11	24,625	23,806	3,855	18,267	3.3	16,790	9,603	5,256	1,931	
12	24,063	23,229	3,872	18,104	3.5	16,555	9,632	5,074	4,860	
2010 1	24,082	22,865	3,924	17,796	5.0	16,297	9,712	4,860	1,725	
2	24,035	22,867	3,886	17,762	4.9	16,282	9,786	4,838	1,657	
3	24,382	23,377	3,924	18,047	4.1	16,617	9,926	4,976	1,714	
4	24,858	23,924	3,991	18,285	3.8	16,994	10,011	5,147	1,836	
5	25,099	24,306	4,036	18,499	3.2	17,255	10,078	5,223	1,953	
6	25,158	24,280	4,017	18,422	3.5	17,193	10,089	5,165	1,938	
7	25,232	24,301	4,040	18,489	3.7	17,228	10,107	5,215	1,905	
8	24,863	24,005	4,058	18,175	3.3	17,048	10,151	5,122	1,775	
9	24,911	24,054	4,062	18,216	3.4	17,103	10,217	5,106	1,780	
10	25,004	24,172	4,098	18,264	3.3	17,178	10,280	5,089	1,809	
11	24,847	24,109	4,139	18,340	3.0	17,300	10,334	5,069	1,898	
12	24,538	23,684	4,156	18,272	3.5	17,154	10,347	4,999	1,808	
2011 1	24,114	23,196	4,148	18,007	3.8	16,832	10,305	4,848	1,680	
2	24,431	23,336	4,149	18,019	4.5	16,856	10,390	4,781	1,684	
3	24,918	23,846	4,122	18,244	4.3	17,065	10,543	4,782	1,740	
4	25,240	24,303	4,108	18,536	3.7	17,357	10,618	4,928	1,812	
5	25,480	24,661	4,137	18,731	3.2	17,626	10,708	5,064	1,854	
6	25,592	24,752	4,135	18,812	3.3	17,720	10,716	5,132	1,872	
<i>Y-o-Y change (%)</i>										
2009	0.2	-0.3	-3.2	0.5	-	1.5	4.3	0.4	-7.4	
2010	1.5	1.4	5.0	1.2	-	3.1	7.4	-0.7	-7.4	
2009 7	0.3	-0.3	-4.3	0.7	-	1.4	3.6	1.8	-9.1	
8	0.6	0.0	-3.5	1.0	-	2.3	4.0	3.0	-6.7	
9	0.7	0.3	-3.0	1.1	-	2.9	5.1	2.7	-6.5	
10	0.3	0.0	-2.2	0.7	-	2.3	5.4	2.7	-11.7	
11	0.2	0.0	-1.1	1.0	-	2.5	5.4	3.7	-12.0	
12	0.1	-0.1	-0.4	0.9	-	2.3	6.2	-0.2	-9.3	
2010 1	1.6	0.0	0.8	0.8	-	1.5	6.7	-2.4	-12.4	
2	1.6	0.5	1.2	1.3	-	2.1	6.4	-0.5	-12.6	
3	1.3	1.2	2.9	2.0	-	3.4	8.2	0.7	-12.6	
4	1.6	1.7	3.8	2.2	-	3.9	8.5	1.9	-11.5	
5	1.8	2.5	4.9	2.7	-	4.7	8.2	2.9	-6.6	
6	0.9	1.3	4.7	0.9	-	2.7	8.0	-2.2	-8.4	
7	1.9	2.0	6.2	1.5	-	3.9	7.7	-0.8	-2.4	
8	1.3	1.6	7.9	0.7	-	3.5	7.2	0.1	-6.1	
9	1.1	1.0	6.6	0.3	-	2.5	6.4	-0.9	-7.8	
10	1.4	1.3	6.2	0.7	-	2.9	6.8	-1.6	-4.4	
11	0.9	1.3	7.4	0.4	-	3.0	7.6	-3.6	-1.7	
12	2.0	2.0	7.3	0.9	-	3.6	7.4	-1.5	-2.2	
2011 1	0.1	1.4	5.7	1.2	-	3.3	6.1	-0.3	-2.6	
2	1.6	2.1	6.7	1.4	-	3.5	6.2	-1.2	1.6	
3	2.2	2.0	5.1	1.1	-	2.7	6.2	-3.9	1.5	
4	1.5	1.6	2.9	1.4	-	2.1	6.1	-4.3	-1.3	
5	1.5	1.5	2.5	1.3	-	2.2	6.3	-3.0	-5.1	
6	1.7	1.9	2.9	2.1	-	3.1	6.2	-0.6	-3.4	

Source: Statistics Korea

## 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)	
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	2,064.95
	11	5.0	5.4	6.2	5.5	5.6	1,906.00
	12	5.0	5.7	6.7	5.9	5.9	1,897.10
2008	1	5.0	5.8	6.6	5.4	5.5	1,624.68
	2	5.0	5.3	6.3	5.1	5.1	1,711.62
	3	5.0	5.3	6.1	5.2	5.2	1,703.99
	4	5.0	5.4	5.9	5.0	5.0	1,825.47
	5	5.0	5.4	6.2	5.3	5.4	1,852.02
	6	5.0	5.4	6.7	5.7	5.8	1,674.92
	7	5.0	5.5	7.0	6.0	6.0	1,594.67
	8	5.2	5.8	7.1	5.8	5.8	1,474.24
	9	5.2	5.8	7.5	5.8	5.8	1,448.06
	10	4.9	6.0	8.0	5.1	5.2	1,113.06
	11	4.0	5.6	8.6	5.0	5.2	1,076.07
	12	3.3	4.7	8.4	4.0	4.3	1,124.47
2009	1	2.4	3.2	7.3	3.4	4.0	1,162.11
	2	2.1	2.7	7.1	3.8	4.6	1,063.03
	3	1.8	2.5	6.1	3.7	4.5	1,206.26
	4	1.8	2.4	5.7	3.8	4.4	1,369.40
	5	1.9	2.4	5.2	3.8	4.5	1,395.89
	6	1.9	2.4	5.2	4.1	4.7	1,390.07
	7	1.9	2.4	5.5	4.1	4.6	1,577.29
	8	2.0	2.5	5.7	4.4	4.9	1,591.85
	9	2.0	2.6	5.6	4.4	4.9	1,673.14
	10	2.0	2.8	5.6	4.5	4.9	1,580.69
	11	2.0	2.8	5.4	4.3	4.8	1,555.60
	12	2.0	2.8	5.4	4.2	4.8	1,682.77
2010	1	2.0	2.9	5.4	4.3	4.8	1,602.43
	2	2.0	2.9	5.3	4.2	4.8	1,594.58
	3	2.0	2.8	5.0	3.9	4.5	1,692.85
	4	2.0	2.5	4.7	3.8	4.4	1,741.56
	5	2.0	2.5	4.5	3.7	4.4	1,641.25
	6	2.0	2.5	4.7	3.8	4.4	1,698.29
	7	2.2	2.6	4.8	3.9	4.5	1,759.33
	8	2.3	2.6	4.7	3.7	4.3	1,742.75
	9	2.3	2.7	4.4	3.5	3.9	1,872.81
	10	2.3	2.7	4.1	3.2	3.7	1,882.95
	11	2.4	2.7	4.2	3.4	4.0	1,904.63
	12	2.5	2.8	4.2	3.3	4.0	2,051.00
2011	1	2.7	2.9	4.5	3.7	4.3	2,069.73
	2	2.8	3.1	4.7	3.9	4.4	1,939.30
	3	2.9	3.4	4.5	3.7	4.1	2,106.70
	4	3.0	3.4	4.5	3.7	4.1	2,192.36
	5	3.0	3.5	4.4	3.7	4.0	2,142.47
	6	3.2	3.5	4.4	3.7	3.9	2,100.69

Source: The Bank of Korea

## 14. Monetary indicators See graph 9-5

(period average)

(billion won)

Period	Reserve money	M1	M2	Lf
2009	61,739.6	357,344.1	1,508,550.4	1,937,336.0
2010	67,585.1	399,412.3	1,639,675.1	2,096,534.8
2009 7	59,420.2	363,421.4	1,512,822.5	1,940,223.0
8	60,570.3	361,012.4	1,524,879.7	1,956,130.6
9	59,650.3	367,070.3	1,535,279.8	1,972,408.5
10	63,681.7	371,531.7	1,551,319.5	1,990,372.5
11	61,154.5	370,979.7	1,564,175.8	2,000,503.6
12	62,633.2	376,977.3	1,570,027.1	2,014,950.4
2010 1	65,054.7	381,218.2	1,574,215.8	2,019,563.5
2	66,563.8	387,858.6	1,595,403.8	2,041,164.1
3	65,643.6	386,015.4	1,607,896.1	2,056,233.7
4	64,274.7	388,174.7	1,621,176.9	2,069,616.1
5	67,835.1	394,880.2	1,630,904.7	2,084,007.4
6	66,250.8	400,132.8	1,647,981.2	2,104,724.0
7	66,958.2	403,785.1	1,653,057.5	2,111,672.2
8	67,318.7	400,882.5	1,653,907.2	2,113,052.7
9	70,266.5	403,413.5	1,659,400.1	2,123,558.2
10	69,905.0	405,000.1	1,669,376.6	2,134,385.4
11	69,476.8	414,912.8	1,679,909.9	2,145,901.5
12	71,472.9	425,673.9	1,682,871.9	2,154,538.9
2011 1	73,540.8	429,368.1	1,676,448.8	2,152,814.0
2	75,432.1	432,482.8	1,674,390.5	2,148,254.1
3	73,012.7	430,936.6	1,677,475.9	2,152,736.5
4	73,206.1	425,420.5	1,684,792.3	2,163,485.7
5	73,828.5	423,994.7	1,690,543.0	2,175,557.3
<i>Y-o-Y change (%)</i>				
2009	18.1	16.3	10.3	7.9
2010	9.5	11.8	8.7	8.2
2009 7	17.4	18.5	9.7	7.7
8	16.5	18.5	10.0	8.0
9	11.9	19.5	10.0	7.7
10	20.2	19.6	10.5	7.8
11	12.7	17.3	9.7	7.6
12	5.6	16.4	9.3	8.1
2010 1	1.6	15.0	9.3	8.1
2	5.6	15.9	9.4	8.6
3	0.0	12.6	9.3	8.8
4	4.7	10.8	9.4	9.0
5	12.9	10.9	9.3	8.9
6	11.3	10.5	9.7	9.3
7	12.7	11.1	9.3	8.8
8	11.1	11.0	8.5	8.0
9	17.8	10.2	8.1	7.7
10	9.8	9.0	7.6	7.2
11	13.6	11.8	7.4	7.3
12	14.1	12.9	7.2	6.9
2011 1	13.0	12.6	6.5	6.6
2	13.3	11.5	5.0	5.2
3	11.2	11.6	4.3	4.7
4	13.9	9.6	3.9	4.5
5	8.8	7.4	3.7	4.4

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	
2009	1,167.6	1,276.4	1,262.8	1,363.1	1,674.3	1,774.4	
2010	1,138.9	1,156.3	1,397.1	1,320.6	1,513.6	1,532.9	
2009	7	1,240.5	1,264.0	1,299.2	1,338.1	1,745.9	1,778.8
	8	1,244.9	1,238.4	1,332.8	1,304.3	1,779.1	1,776.3
	9	1,188.7	1,219.2	1,318.8	1,332.4	1,734.3	1,774.2
	10	1,200.6	1,175.3	1,312.6	1,300.8	1,781.3	1,742.9
	11	1,167.4	1,164.2	1,348.3	1,304.4	1,751.7	1,736.6
	12	1,167.6	1,166.5	1,262.8	1,300.8	1,674.3	1,703.7
2010	1	1,156.5	1,138.8	1,287.0	1,248.3	1,614.6	1,627.5
	2	1,158.4	1,157.1	1,299.3	1,281.7	1,569.2	1,584.5
	3	1,130.8	1,137.6	1,217.7	1,255.8	1,518.2	1,544.9
	4	1,115.5	1,117.1	1,186.8	1,195.3	1,479.3	1,501.7
	5	1,200.2	1,163.1	1,318.5	1,265.2	1,474.2	1,460.7
	6	1,210.3	1,212.3	1,364.6	1,333.6	1,475.4	1,480.9
	7	1,187.2	1,207.3	1,370.0	1,377.7	1,552.4	1,540.3
	8	1,189.1	1,179.9	1,406.0	1,380.2	1,505.9	1,523.3
	9	1,142.0	1,167.0	1,363.3	1,384.2	1,556.0	1,518.7
	10	1,126.6	1,123.4	1,390.7	1,371.1	1,569.3	1,559.6
	11	1,157.3	1,126.2	1,373.4	1,366.6	1,518.3	1,541.3
	12	1,138.9	1,147.6	1,397.1	1,376.7	1,513.6	1,515.4
2011	1	1,114.3	1,120.1	1,356.6	1,356.3	1,514.0	1,495.4
	2	1,127.9	1,118.1	1,380.7	1,351.0	1,549.5	1,524.6
	3	1,107.2	1,122.5	1,331.9	1,376.2	1,563.5	1,572.6
	4	1,072.3	1,086.8	1,313.8	1,304.8	1,591.2	1,569.4
	5	1,080.6	1,083.5	1,335.6	1,333.6	1,549.7	1,551.3
	6	1,078.1	1,081.3	1,335.7	1,342.8	1,560.5	1,555.4
<i>Y-o-Y change (%)</i>							
2009	-7.1	15.8	-9.4	26.6	-5.7	10.4	
2010	-2.5	-9.4	10.6	-3.1	-9.6	-13.6	
2009	7	23.0	24.0	39.3	40.2	11.1	10.7
	8	15.1	18.9	34.9	36.9	11.9	13.1
	9	0.1	7.9	15.3	25.6	1.6	9.0
	10	-7.0	-11.4	0.5	-2.0	7.0	-1.3
	11	-21.3	-16.2	-13.2	-9.1	-8.4	-1.8
	12	-7.1	-15.1	-9.4	-13.5	-5.7	-7.7
2010	1	-15.5	-15.4	-15.4	-16.1	-8.7	-9.3
	2	-23.6	-19.1	-15.7	-17.1	-18.7	-13.4
	3	-17.9	-22.2	-13.9	-16.0	-16.4	-18.9
	4	-17.2	-16.8	-14.2	-11.9	-17.2	-15.2
	5	-5.7	-7.6	0.3	-3.0	-16.8	-15.0
	6	-5.8	-3.9	2.1	2.2	-18.5	-16.2
	7	-4.3	-4.5	5.4	3.0	-11.1	-13.4
	8	-4.5	-4.7	5.5	5.8	-15.4	-13.8
	9	-3.9	-4.3	3.4	3.9	-10.3	-14.4
	10	-6.2	-4.4	5.9	5.4	-11.9	-10.5
	11	-0.9	-3.3	1.9	4.8	-13.3	-11.2
	12	-2.5	-1.6	10.6	5.8	-9.6	-11.1
2011	1	-3.6	-1.6	5.4	8.7	-6.2	-8.1
	2	-2.6	-3.4	6.3	5.4	-1.3	-3.8
	3	-2.1	-1.3	9.4	9.6	3.0	1.8
	4	-3.9	-2.7	10.7	9.2	7.6	4.5
	5	-10.0	-6.8	1.3	5.4	5.1	6.2
	6	-10.9	-10.8	-2.1	0.7	5.8	5.0

Source: The Bank of Korea



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