

Republic of Korea **Economic Bulletin**

October 2024 Vol.46 No.10



Danyang Bobaljae Pass

Current Economic Trends

Policy Issue

Economic News Briefing

2025 Budget Proposal

Korea's GDP in Q2 2024
2024 G20 Conference
OECD's Economic Outlook on Korea
Korea's External debt in Q2 2024
Korean OFDI in Q2 2024



▲ **Danyang Bobaljae Pass:** A Road on Mount Sobaek Known for Autumn Leaves.

Republic of Korea **Economic Bulletin**

The Republic of Korea Economic Bulletin is a monthly publication that seeks to promote a greater understanding of the Korean economy by providing readers with information on the latest economic trends and policy issues as well as relevant news and current events.

October 2024 Vol.46 No.10

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Design Qline

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Current Economic Trends

Overview

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Overview

In July, services production and facilities investment increased, while industrial production, retail sales, and construction investment decreased. In August, job growth increased and consumer prices growth slowed down.

In July, total production fell (*down 0.4% m-o-m and up 2.7% y-o-y*), as industrial production (*down 3.6% m-o-m and up 5.5% y-o-y*) and construction production (*down 1.7% m-o-m and down 5.3% y-o-y*) declined while services production increased (*up 0.7% m-o-m and up 2.2% y-o-y*).

In July, facilities investment increased (*up 10.1% m-o-m and up 18.5% y-o-y*), while retail sales (*down 1.9% m-o-m and down 2.1% y-o-y*) and construction investment (*down 1.7% m-o-m and down 5.3% y-o-y*) decreased.

In August, exports grew by 11.4 percent from a year ago, driven by increased exports of the IT sector including semiconductors. The daily average of exports increased by 13.7 percent from a year ago.

In August, the Consumer Sentiment Index (CSI) dropped by 2.8 points to 100.8 month-on-month. The Composite Business Sentiment Index (CBSI) fell by 2.6 points to 92.5 in August, and the CBSI outlook for September also decreased by 0.7 points to 92.7 month-on-month.

In July, the cyclical indicator of the coincident composite index decreased by 0.6 points from the previous month, and the cyclical indicator of the leading composite index remained unchanged.

In August, the economy added 123,000 jobs compared to the previous year and the unemployment rate fell by 0.1 percentage points from a year ago to 1.9 percent.

In August, the Consumer Price Index (CPI) grew by 2.0 percent from the previous year. The index excluding food and energy prices increased by 2.1 percent, and the index excluding agricultural and petroleum products increased by 1.9 percent. The CPI for basic necessities rose by 2.1 percent.

In August, Korean equity prices fell driven by concerns over a potential slowdown in profitability of big tech and AI-related companies. The Korean Treasury Bond yields fell driven by growing expectations of an interest rate cut by the U.S. Fed, and the Korean Won strengthened against the dollar.

In August, housing prices and *Jeonse* (lump-sum deposits with no monthly payments) prices continued to rise (*up 0.24% m-o-m and up 0.22% m-o-m, respectively*).

As prices have continued to moderate and stabilize recently, the Korean economy has been able to show a sustained recovery, mainly driven by robust performances in the export and manufacturing sectors. Though domestic demand has shown a moderate recovery, particularly in facility investment and services, the pace of the recovery has varied across sectors.

The global economy has generally been on a recovery trend, mainly driven by a rebound in trade and a shift in monetary policy in major economies. However, the pace of recovery differs across regions. In addition, geopolitical risks such as the ongoing Russia-Ukraine war and the potential for further escalation in the Middle East conflict, and concerns about an economic slowdown in major economies, are contributing to increased uncertainty.

Against this background, the Korean government will seek to implement key policy tasks in a timely manner, including ensuring price stability, providing customized support for small business owners, and shoring up domestic demand. These efforts will also be pursued along with policies outlined in the 'Dynamic Economy Roadmap' which seeks to improve the quality of life of Koreans and enhance the sustainability of the Korean economy.

Economic Activity

1. Gross Domestic Product (Preliminary estimate)

In the second quarter of 2024, Korea's real Gross Domestic Product (GDP) amounted to 572.8 trillion won, and real Gross Domestic Income (GDI) came to 556.6 trillion won.

(Trillion won, inflation adjusted at 2020 prices)

| | 2022 | 2023 | 2022 | | | | 2023 | | | | 2024 | |
|---------------------------|---------------------|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Annual ¹ | Annual ¹ | Q1 ¹ | Q2 ¹ | Q3 ¹ | Q4 ¹ | Q1 ¹ | Q2 ¹ | Q3 ¹ | Q4 ¹ | Q1 ¹ | Q2 ¹ |
| GDP | 2,212.2 | 2,243.2 | 525.7 | 554.5 | 555.9 | 576.1 | 531.6 | 560.0 | 563.6 | 588.1 | 548.9 | 572.8 |
| (Seasonally adjusted) | - | - | 549.3 | 553.7 | 555.8 | 553.3 | 555.8 | 558.8 | 563.0 | 565.6 | 573.0 | 571.6 |
| - Private consumption | 1,063.9 | 1,082.7 | 257.7 | 262.4 | 270.1 | 273.8 | 269.9 | 266.1 | 271.0 | 275.7 | 272.7 | 268.6 |
| - Facility investment | 213.2 | 215.4 | 49.9 | 54.2 | 52.5 | 56.6 | 52.3 | 56.2 | 50.4 | 56.5 | 51.7 | 54.8 |
| - Construction investment | 301.4 | 306.0 | 62.5 | 82.2 | 75.1 | 81.7 | 63.5 | 83.5 | 78.3 | 80.7 | 64.5 | 83.1 |
| - Exports | 820.3 | 849.9 | 204.7 | 204.4 | 204.8 | 206.5 | 202.4 | 206.2 | 211.3 | 230.0 | 220.8 | 224.8 |
| - Imports | 730.7 | 756.4 | 180.8 | 176.7 | 185.6 | 187.5 | 193.6 | 182.8 | 185.2 | 194.8 | 192.9 | 188.4 |
| GDI | 2,117.5 | 2,151.8 | 511.3 | 532.4 | 526.6 | 547.2 | 504.3 | 532.3 | 545.4 | 569.8 | 536.5 | 556.6 |
| (Seasonally adjusted) | - | - | 537.2 | 530.4 | 524.5 | 525.4 | 530.1 | 530.3 | 542.9 | 548.6 | 561.6 | 555.1 |

Source: Bank of Korea.

¹ Preliminary estimate.

In the second quarter of 2024, real GDP rose 2.3 percent year-on-year, and seasonally adjusted GDP decreased 0.2 percent quarter-on-quarter. Real GDI rose 4.6 percent year-on-year, and seasonally adjusted GDI fell 1.2 percent quarter-on-quarter.

(Percentage change from same period in previous year, inflation adjusted at 2020 prices)

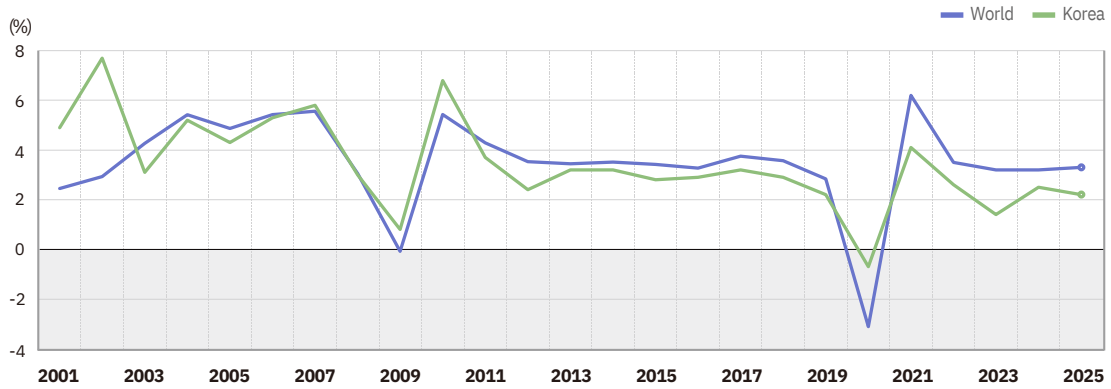
| | 2022 | 2023 | 2022 | | | | 2023 | | | | 2024 | |
|-------------------------------------|---------------------|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Annual ¹ | Annual ¹ | Q1 ¹ | Q2 ¹ | Q3 ¹ | Q4 ¹ | Q1 ¹ | Q2 ¹ | Q3 ¹ | Q4 ¹ | Q1 ¹ | Q2 ¹ |
| GDP | 2.7 | 1.4 | 3.5 | 3.0 | 3.4 | 1.1 | 1.1 | 1.0 | 1.4 | 2.1 | 3.3 | 2.3 |
| (Seasonally adjusted ²) | - | - | 0.5 | 0.8 | 0.4 | -0.5 | 0.4 | 0.6 | 0.8 | 0.5 | 1.3 | -0.2 |
| - Private consumption | 4.2 | 1.8 | 4.3 | 4.5 | 5.3 | 2.9 | 4.7 | 1.4 | 0.3 | 0.7 | 1.0 | 0.9 |
| - Facility investment | -0.3 | 1.1 | -4.9 | -5.5 | 4.8 | 4.8 | 4.7 | 3.8 | -3.9 | -0.2 | -1.0 | -2.5 |
| - Construction investment | -3.5 | 1.5 | -5.0 | -4.5 | -2.1 | -2.6 | 1.7 | 1.7 | 4.3 | -1.2 | 1.6 | -0.5 |
| - Exports | 3.9 | 3.6 | 7.8 | 5.6 | 5.4 | -2.4 | -1.1 | 0.9 | 3.2 | 11.4 | 9.1 | 9.0 |
| - Imports | 4.2 | 3.5 | 5.2 | 2.0 | 8.2 | 1.5 | 7.1 | 3.4 | -0.2 | 3.9 | -0.4 | 3.1 |
| GDI | -0.7 | 1.6 | 0.5 | -0.3 | -1.1 | -1.6 | -1.4 | 0.0 | 3.6 | 4.1 | 6.4 | 4.6 |
| (Seasonally adjusted ²) | - | - | 0.8 | -1.3 | -1.1 | 0.2 | 0.9 | 0.0 | 2.4 | 1.1 | 2.4 | -1.2 |

Source: Bank of Korea.

¹ Preliminary estimate.

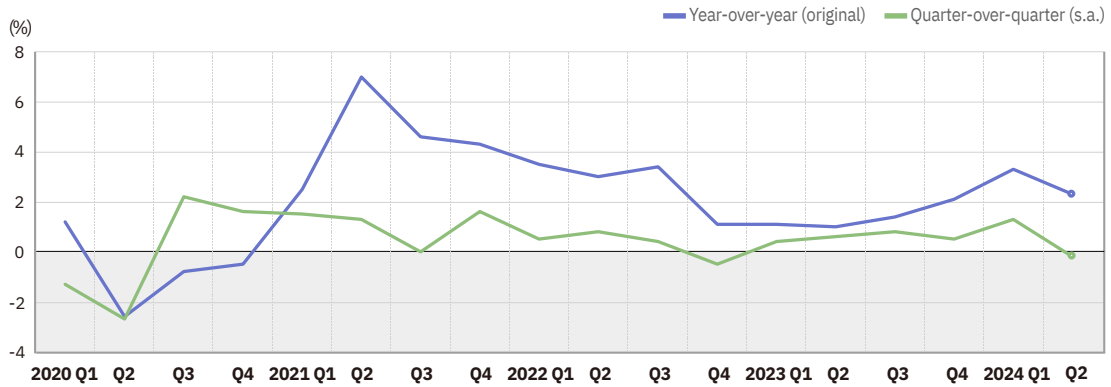
² Percentage change from previous period.

GDP growth: World and Korea



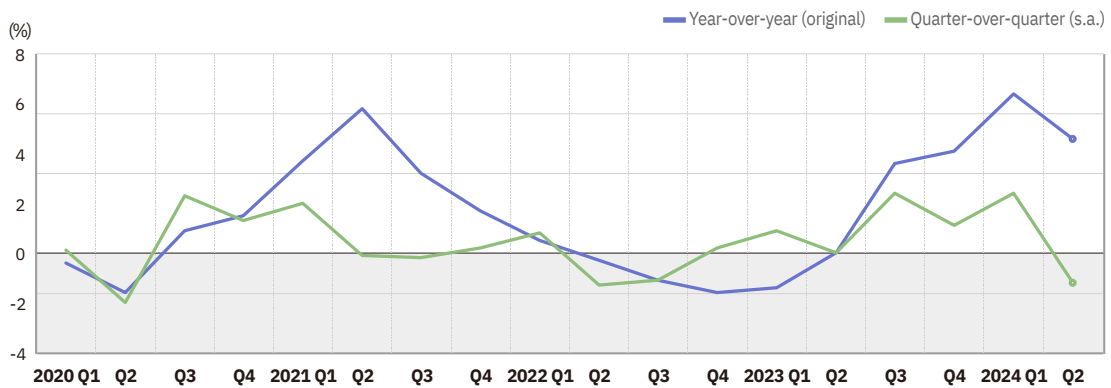
Source: IMF

GDP growth: Korea



Source: Bank of Korea.

GDI growth: Korea



Source: Bank of Korea.

2. Total Production and Composite Index of Business Indicators

Total index of Industrial Production decreased by 0.4 percent month-on-month in July. Industrial production (*down 3.6%*) and construction (*down 1.7 %*) decreased, while services (*up 0.7%*) and public spending (*up 6.0%*) increased. The index rose 2.7 percent year-on-year.

Coincident composite index

The cyclical indicator of the coincident composite index fell 0.6 point month-on-month to 98.4. Among the components of the coincident composite index, imports increased, while value of construction completed, industrial production index, and shipment index for domestic market decreased.

Leading composite index

The cyclical indicator of the leading composite index remain unchanged at 100.8. Among the components of the leading composite index, KOSPI index and economic sentiment index rose, while domestic shipment of machinery and inventory circulation indicator fell.

| | 2023 | | | | | 2024 | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|------------------|------------------|------------------|
| | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May ¹ | Jun ¹ | Jul ¹ |
| Total index of Industrial Production (m-o-m, %) | 1.8 | 0.8 | -0.7 | 0.3 | 0.4 | 0.3 | 1.3 | -2.3 | 1.4 | -0.8 | -0.1 | -0.4 |
| (y-o-y, %) | 1.8 | 3.0 | 1.5 | 2.2 | 0.4 | 7.2 | 1.8 | 0.1 | 3.4 | 2.3 | 0.5 | 2.7 |
| Cyclical indicator of coincident composite index | 100.0 | 99.8 | 99.9 | 99.9 | 99.8 | 99.9 | 100.1 | 99.8 | 99.7 | 99.1 | 99.0 | 98.4 |
| (m-o-m, p) | -0.1 | -0.2 | 0.1 | 0.0 | -0.1 | 0.1 | 0.2 | -0.3 | -0.1 | -0.6 | -0.1 | -0.6 |
| Coincident composite index (2020=100) | 110.4 | 110.5 | 110.9 | 111.0 | 111.1 | 111.5 | 112.0 | 111.9 | 112.0 | 111.6 | 111.7 | 111.2 |
| (m-o-m, %) | 0.1 | 0.1 | 0.4 | 0.1 | 0.1 | 0.4 | 0.4 | -0.1 | 0.1 | -0.4 | 0.1 | -0.4 |
| Cyclical indicator of leading composite index | 99.4 | 99.6 | 99.8 | 100.1 | 100.2 | 100.2 | 100.4 | 100.2 | 100.5 | 100.5 | 100.6 | 100.6 |
| (m-o-m, p) | 0.0 | 0.2 | 0.2 | 0.3 | 0.1 | 0.0 | 0.2 | -0.2 | 0.3 | 0.0 | 0.1 | 0.0 |
| Leading composite index (2020=100) | 111.4 | 111.8 | 112.4 | 113.0 | 113.4 | 113.7 | 114.2 | 114.3 | 114.9 | 115.2 | 115.7 | 115.9 |
| (m-o-m, %) | 0.3 | 0.4 | 0.5 | 0.5 | 0.4 | 0.3 | 0.4 | 0.1 | 0.5 | 0.3 | 0.4 | 0.2 |

Source: Industrial activity trends, Statistics Korea.

¹ Figures for the last three months of coincident composite index are preliminary, while figures for the last two months of leading composite index are preliminary.

Coincident composite index in Jul 2024 (m-o-m, %)

| | |
|------------------------------------|------|
| Imports | 0.1 |
| Value of construction completed | -2.4 |
| Industrial production | -1.2 |
| Shipment index for domestic market | -1.7 |

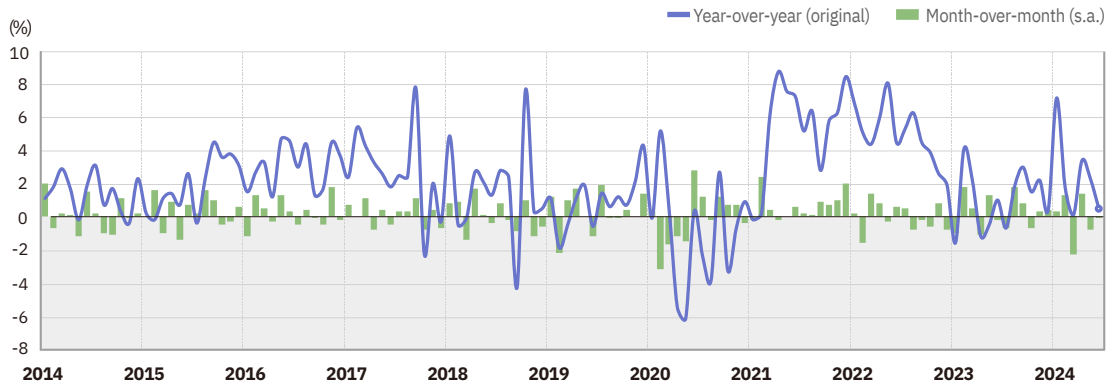
Source: Industrial activity trends, Statistics Korea.

Leading composite index in Jul 2024 (m-o-m, %)

| | |
|-------------------------------------|------|
| KOSPI | 1.7 |
| Economic Sentiment Index (p) | 0.5 |
| Domestic shipments of machinery | -0.9 |
| Inventory circulation indicator(%p) | -2.2 |

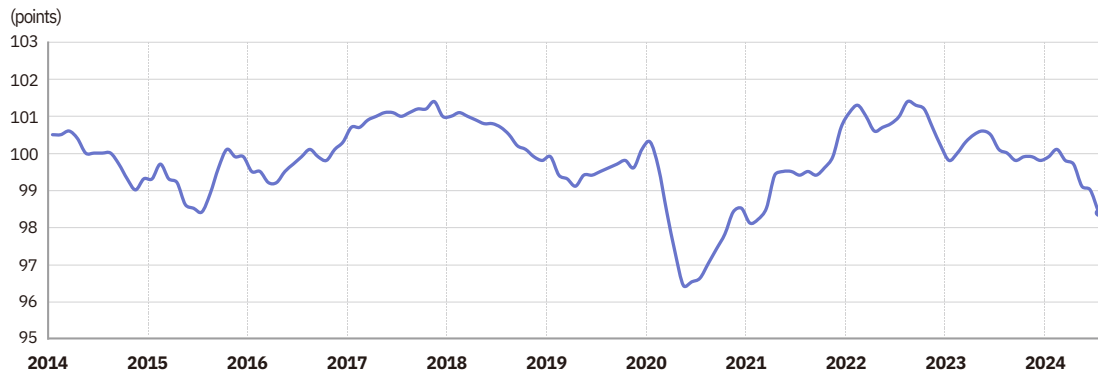
Source: Industrial activity trends, Statistics Korea.

Total index of Industrial Production



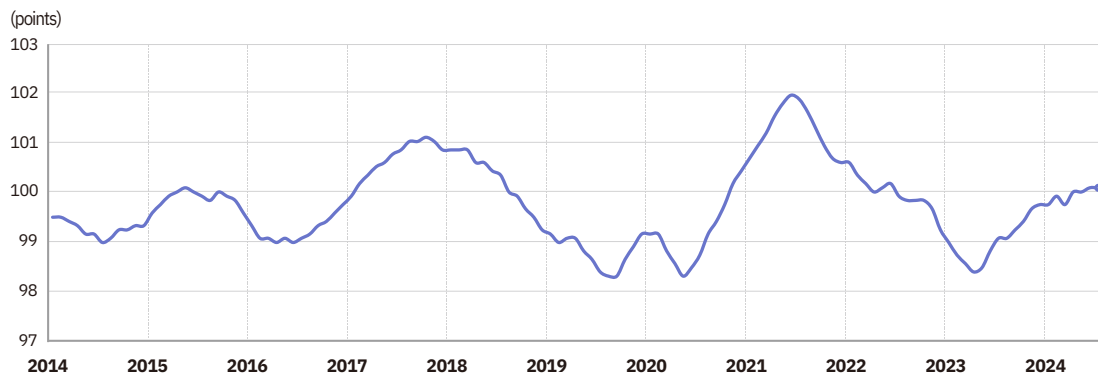
Source: Industrial activity trends, Statistics Korea.

Cyclical indicator of coincident composite index



Source: Industrial activity trends, Statistics Korea.

Cyclical indicator of leading composite index



Source: Industrial activity trends, Statistics Korea.

3. Private consumption

Private consumption (*preliminary estimate of GDP*) in the second quarter of 2024 decreased by 0.2 percent quarter-on-quarter and increased by 0.9 percent year-on-year.

(Percentage change from previous period)

| | 2022 | 2023 | 2022 | | | | 2023 | | | | 2024 | |
|---------------------|---------------------|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Annual ¹ | Annual ¹ | Q1 ¹ | Q2 ¹ | Q3 ¹ | Q4 ¹ | Q1 ¹ | Q2 ¹ | Q3 ¹ | Q4 ¹ | Q1 ¹ | Q2 ¹ |
| Private consumption | - | - | -1.0 | 2.9 | 1.3 | -0.1 | 0.5 | -0.3 | 0.1 | 0.4 | 0.7 | -0.2 |
| (y-o-y) | 4.2 | 1.8 | 4.3 | 4.5 | 5.3 | 2.9 | 4.7 | 1.4 | 0.3 | 0.7 | 1.0 | 0.9 |

Source: National accounts, Bank of Korea.

¹ Preliminary estimate.

Retail sales decreased by 1.9 percent month-on-month in July. Sales of durable goods (*down 2.3%*), semi-durable goods (*down 2.1%*), and nondurable goods (*down 1.6%*) all decreased. The index fell by 2.1 percent year-on-year.

(Percentage change from previous period)

| | 2022 | 2023 | 2022 | | | | 2023 | | | | 2024 | | | | |
|----------------------|--------|---------------------|------|------|------|------|------|------|------|------|-------|-----------------|------|------------------|------------------|
| | Annual | Annual ¹ | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 ¹ | May | Jun ¹ | Jul ¹ |
| Retail sales | - | - | -0.9 | -0.7 | 0.8 | -1.5 | 0.6 | -0.5 | -1.9 | 0.4 | -0.5 | -0.8 | -0.2 | 1.0 | -1.9 |
| (y-o-y) | -0.3 | -1.5 | 2.6 | -0.2 | -0.9 | -2.3 | -0.8 | -0.7 | -2.7 | -1.9 | -2.1 | -2.9 | -2.8 | -3.6 | -2.1 |
| - Durable goods | -3.2 | -1.6 | -0.8 | -3.4 | 1.8 | -0.2 | -1.3 | 0.2 | -1.4 | 0.8 | -2.4 | -1.7 | 0.2 | 5.2 | -2.3 |
| - Automobiles | 0.5 | 6.9 | 2.4 | 4.0 | 5.1 | 3.0 | -0.7 | 4.3 | -4.1 | 2.6 | -10.3 | -1.0 | 3.0 | 6.9 | -4.8 |
| - Semi-durable goods | 2.2 | -1.2 | -2.2 | 2.3 | -0.2 | -4.3 | 5.2 | -2.4 | -4.3 | 2.1 | -0.1 | -2.1 | -3.2 | 0.8 | -2.1 |
| - Nondurable goods | 0.3 | -1.6 | -0.5 | -0.4 | 0.5 | -1.0 | -0.2 | -0.1 | -1.3 | -0.4 | 0.2 | 0.2 | 0.7 | -0.9 | -1.6 |

Source: Statistics Korea.

¹ Preliminary.

The retail sales outlook for August is mixed, as department store sales, large discount store sales, and car sales at home increased while consumer sentiment index decreased.

(Percentage change from same period in previous year)

| | 2023 | 2024 | | | | | | | |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | Dec | Jan | Feb | March | Apr | May | Jun | Jul | Aug |
| Car sales at home | -12.0 | 4.4 | -15.2 | -12.7 | -7.2 | -9.8 | -16.5 | 0.1 | 0.4 |
| Department store sales | 3.5 | -3.0 | 4.2 | 2.8 | 2.1 | 0.6 | -1.5 | -1.4 | 15.4 |
| Large discount store sales | 0.5 | -5.9 | 7.5 | 6.9 | -2.5 | 0.0 | -1.9 | -3.3 | 4.7 |
| Credit card spending at home ¹ | 4.2 | 5.3 | 3.0 | 3.0 | 3.3 | 3.4 | 3.8 | 3.2 | 4.4 |
| Consumer sentiment index ² | 99.7 | 101.6 | 101.9 | 100.7 | 100.7 | 98.4 | 100.9 | 103.6 | 100.8 |
| Number of Chinese tourists ³ | 751.1 | 801.3 | 563.9 | 320.4 | 226.0 | 170.0 | 107.9 | 86.8 | 78.9 |

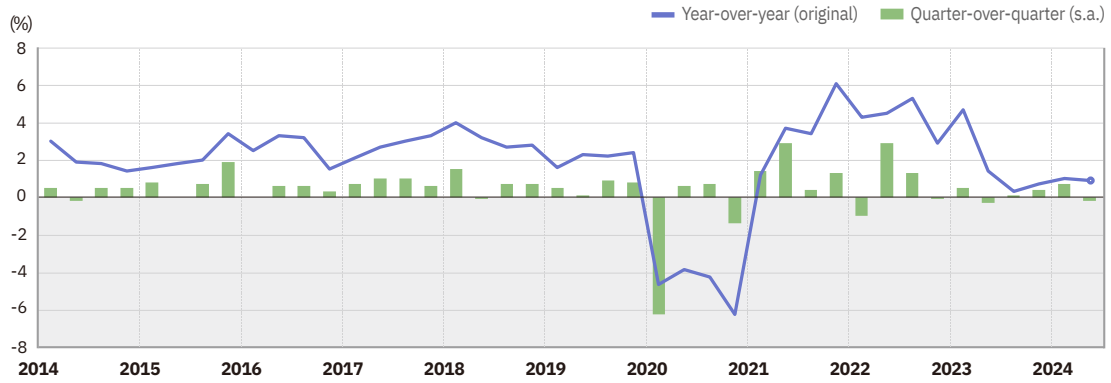
Sources: Korea Automobile Manufacturers Association; The Credit Finance Association; Bank of Korea; Korea Culture & Tourism Institute; data provided by retail industries.

¹ Utility bills are excluded.

² Level value.

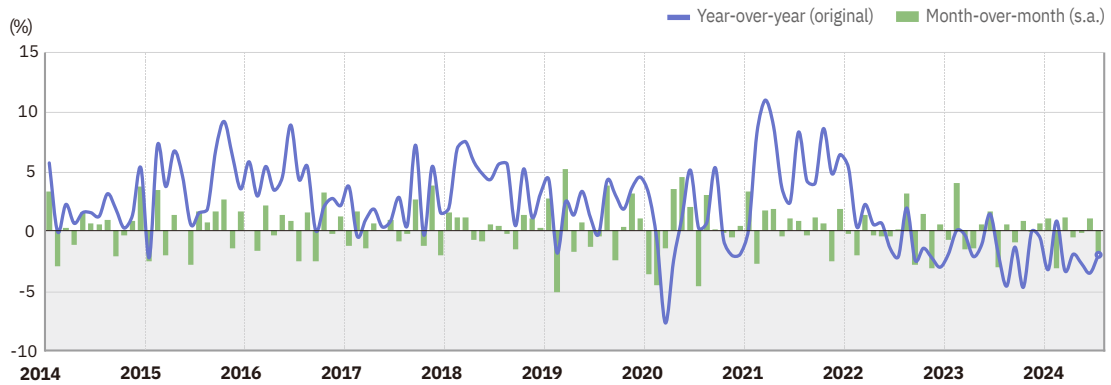
³ Advance estimate based on total entries, The figure can be different from the statistic released by the Ministry of Culture, Sports and Tourism, which excludes diplomatic and military personnel.

Private consumption



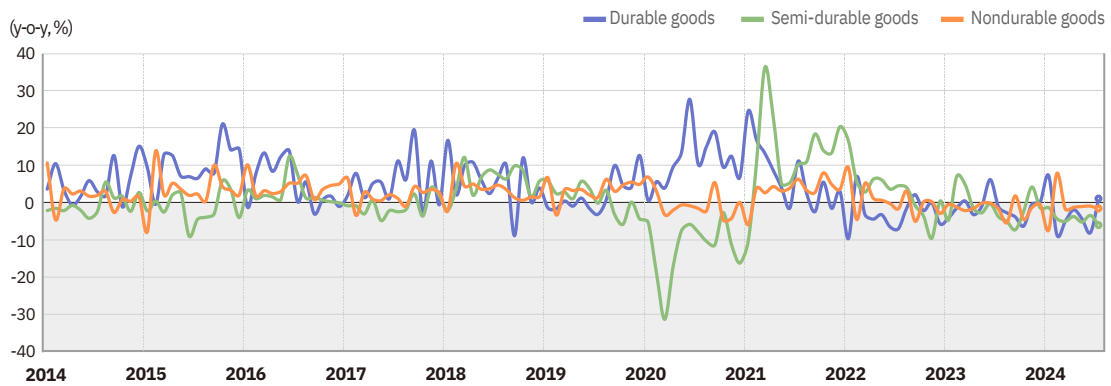
Source: National account, Bank of Korea.

Retail sales



Source: Industrial activity trends, Statistics Korea.

Retail sales by type



Source: Industrial activity trends, Statistics Korea.

4. Facility investment

Facility investment (*preliminary estimate of GDP*) in the second quarter of 2024 declined 1.2 percent quarter-on-quarter and it fell 2.5 percent year-on-year.

(Percentage change from previous period)

| | 2022 | 2023 | 2022 | | | | 2023 | | | | 2024 | |
|----------------------------|---------------------|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Annual ¹ | Annual ¹ | Q1 ¹ | Q2 ¹ | Q3 ¹ | Q4 ¹ | Q1 ¹ | Q2 ¹ | Q3 ¹ | Q4 ¹ | Q1 ¹ | Q2 ¹ |
| Facility investment | - | - | -1.5 | 1.4 | 5.7 | -0.8 | -1.4 | 0.4 | -2.0 | 2.8 | -2.0 | -1.2 |
| (y-o-y) | -0.3 | 1.1 | -4.9 | -5.5 | 4.8 | 4.8 | 4.7 | 3.8 | -3.9 | -0.2 | -1.0 | -2.5 |
| - Machinery | 1.9 | 1.6 | 0.3 | 0.7 | 5.4 | 3.1 | -2.9 | 1.6 | -3.8 | 1.3 | 0.4 | -3.6 |
| - Transportation equipment | -7.8 | -1.0 | -7.8 | 3.7 | 7.0 | -14.4 | 5.0 | -4.2 | 5.6 | 8.9 | -10.7 | 8.1 |

Source: National accounts, Bank of Korea.

¹ Preliminary estimate.

The facility investment index rose 10.1 percent month-on-month in July as transportation equipment investment increased. The index rose 18.5 percent year-on-year.

(Percentage change from previous period)

| | 2022 | 2023 | 2022 | | | | 2023 | | | | 2024 | | | | |
|----------------------------|--------|--------|------|------|------|------|-------|------|------|------|------|-----------------|-------|------------------|------------------|
| | Annual | Annual | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 ¹ | May | Jun ¹ | Jul ¹ |
| Facility investment index | - | - | 1.8 | -2.2 | 9.8 | -1.6 | -8.6 | 1.5 | -1.9 | 5.0 | -3.8 | -0.2 | -3.6 | 3.4 | 10.1 |
| (y-o-y) | 2.5 | -4.9 | -0.7 | -3.6 | 5.6 | 9.1 | -1.9 | -1.3 | -9.9 | -6.0 | 0.3 | -1.5 | -1.4 | -3.3 | 18.5 |
| - Machinery | 1.4 | -7.2 | -2.4 | 0.4 | 11.1 | -1.7 | -10.9 | 0.7 | -0.7 | 1.4 | -2.4 | 0.0 | -0.3 | 5.3 | -1.6 |
| - Transportation equipment | 6.0 | 2.6 | 15.3 | -9.2 | 6.0 | -1.3 | -0.7 | 3.8 | -5.8 | 16.3 | -7.2 | -1.0 | -13.0 | -2.5 | 50.5 |

Source: Statistics Korea.

¹ Preliminary.

The facility investment outlook is mixed, as negative as facility investment pressure and domestic machinery orders received increased, while average capacity utilization rate decreased.

(Percentage change from same period in previous year)

| | 2022 | 2023 | 2022 | | | | 2023 | | | | 2024 | | | | |
|--|--------|---------------------|------|------|------|-------|-------|-------|-------|------|------|-----------------|-------|------------------|------------------|
| | Annual | Annual ¹ | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 ¹ | May | Jun ¹ | Jul ¹ |
| Domestic machinery orders received | 1.1 | -3.6 | 3.4 | 1.6 | 13.5 | -12.9 | -7.7 | -3.0 | -14.6 | 13.8 | 3.0 | -5.6 | 6.2 | -13.4 | 14.5 |
| (% change from previous period) | - | - | -2.9 | -0.5 | 14.8 | -21.5 | 3.0 | 4.8 | -0.3 | 7.1 | -7.7 | -4.0 | -2.3 | -6.5 | 30.2 |
| - Public | -24.1 | 89.8 | 8.2 | 6.9 | -4.9 | -57.3 | 155.6 | 120.0 | 25.9 | 40.3 | -5.7 | -13.7 | 62.1 | 106.2 | 222.5 |
| - Private | 3.2 | -9.2 | 3.1 | 1.3 | 14.5 | -5.9 | -17.6 | -10.9 | -16.5 | 11.9 | 4.6 | -4.3 | 2.9 | -20.5 | -0.4 |
| Machinery imports | -0.1 | -2.6 | -4.0 | -6.0 | 4.8 | 6.0 | 2.7 | 6.7 | -12.3 | -7.4 | -7.4 | -12.3 | -14.1 | -15.1 | 27.3 |
| Average capacity utilization rate ² | 74.5 | 71.9 | 78.3 | 75.9 | 73.7 | 70.0 | 70.6 | 72.0 | 72.3 | 72.5 | 72.7 | 73.5 | 72.9 | 73.8 | 71.4 |
| Facility investment pressure ³ | 1.4 | -2.5 | 7.3 | 5.6 | -0.4 | -6.0 | -7.8 | -5.4 | -0.2 | 3.0 | 4.6 | 3.9 | 3.3 | 3.1 | 5.1 |

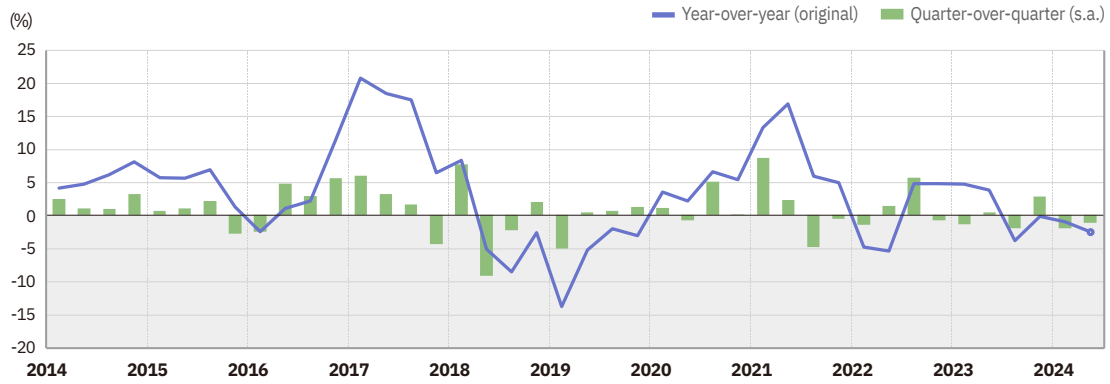
Sources: Statistics Korea; Korea International Trade Association.

¹ Preliminary.

² Utilization rate for the period, %.

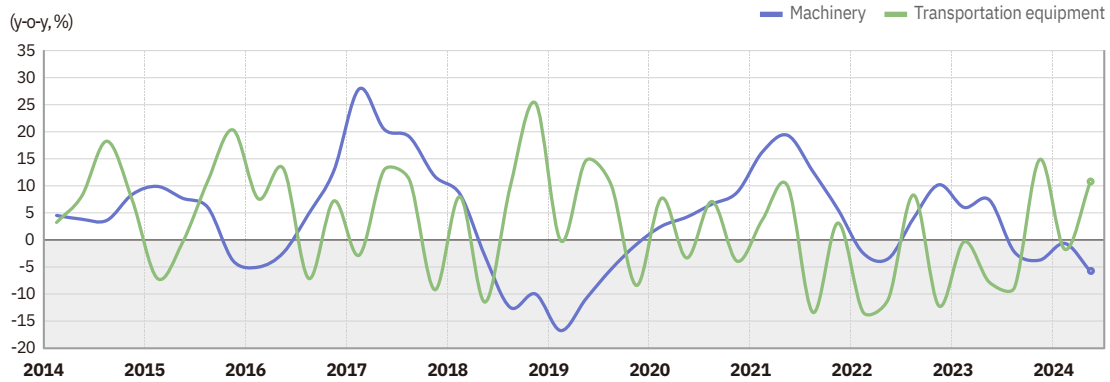
³ Production growth rate minus production capacity growth rate in the manufacturing sector, %p.

Facility investment



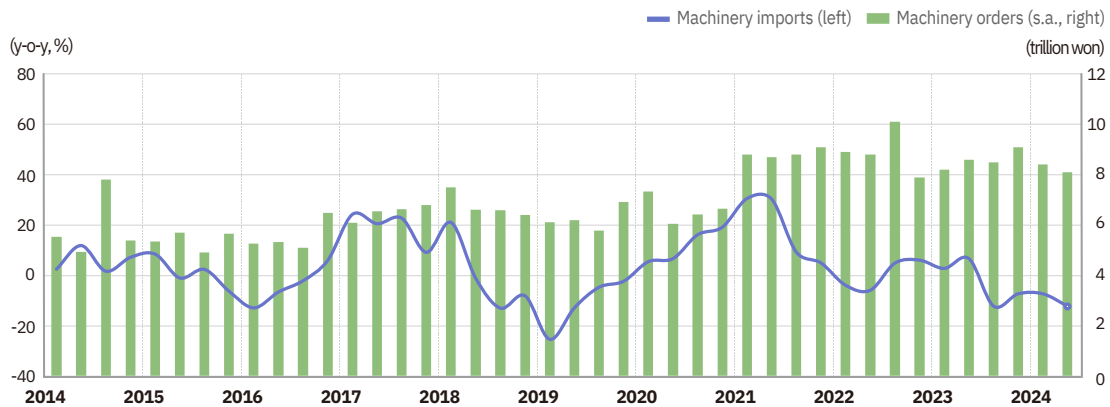
Source: National account, Bank of Korea.

Facility investment by type



Source: National account, Bank of Korea.

Leading indicators of facility investment



Sources: Statistics Korea; Korea International Trade Association.

5. Construction investment

Construction investment (*preliminary estimate of GDP*) in the second quarter of 2024 decreased 1.7 percent quarter-on-quarter and 0.5 percent year-on-year.

(Percentage change from previous period)

| | 2022 | 2023 | 2022 | | | | 2023 | | | | 2024 | |
|---------------------------|---------------------|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Annual ¹ | Annual ¹ | Q1 ¹ | Q2 ¹ | Q1 ¹ | Q4 ¹ | Q1 ¹ | Q2 ¹ | Q3 ¹ | Q4 ¹ | Q1 ¹ | Q2 ¹ |
| Construction investment | - | - | -3.3 | 0.0 | -0.2 | 1.1 | 0.6 | 0.2 | 1.9 | -3.8 | 3.3 | -1.7 |
| (y-o-y) | -3.5 | 1.5 | -5.0 | -4.5 | -2.1 | -2.6 | 1.7 | 1.7 | 4.3 | -1.2 | 1.6 | -0.5 |
| - Building construction | -0.7 | 3.1 | -3.5 | 1.8 | 0.1 | 1.1 | 1.0 | 1.6 | 1.5 | -4.7 | 1.9 | -1.4 |
| - Civil engineering works | -10.7 | -2.8 | -2.6 | -4.8 | -0.9 | 1.3 | -0.5 | -3.8 | 3.0 | -0.9 | 7.5 | -2.7 |

Source: National accounts, Bank of Korea.

¹ Preliminary estimate.

Construction completed (*constant*) fell 1.7 percent month-on-month in July as civil engineering works declined. The index decreased 5.3 percent year-on-year.

(Percentage change from previous period)

| | 2022 | 2023 | 2022 | | | | 2023 | | | | 2024 | | | | |
|-----------------------------------|--------|--------|------|-----|------|-----|------|-----|------|------|------|-----------------|------|------------------|------------------|
| | Annual | Annual | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 ¹ | May | Jun ¹ | Jul ¹ |
| Construction completed (constant) | - | - | -1.5 | 1.5 | 1.5 | 4.3 | 2.8 | 1.1 | 1.1 | -2.5 | 4.9 | -5.9 | -4.6 | -0.8 | -1.7 |
| (y-o-y) | 2.8 | 7.3 | -1.7 | 1.9 | 3.6 | 6.7 | 11.5 | 8.7 | 10.1 | 0.6 | 4.1 | -2.7 | -3.2 | -5.3 | -5.3 |
| - Building construction | 4.2 | 9.4 | -2.5 | 1.3 | 2.9 | 4.7 | 4.5 | 0.9 | 0.7 | -3.5 | 5.0 | -7.0 | -5.1 | -2.6 | 0.9 |
| - Civil engineering works | -1.2 | 1.2 | 1.5 | 2.1 | -2.7 | 2.9 | -2.5 | 1.9 | 2.6 | 0.8 | 4.6 | -2.4 | -3.1 | 4.8 | -8.9 |

Source: Statistics Korea.

¹ Preliminary.

The construction investment outlook is mixed, as construction orders received increased while apartment sales are sluggish.

(Percentage change from same period in previous year)

| | 2022 | 2023 | 2022 | | | | 2023 | | | | 2024 | | | | |
|--|--------|--------|------|------|------|-------|-------|-------|-------|-------|-------|-----------------|-------|------------------|------------------|
| | Annual | Annual | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 ¹ | May | Jun ¹ | Jul ¹ |
| Construction orders received (current value) | 10.0 | -18.5 | 13.4 | 21.4 | 30.2 | -17.2 | -12.7 | -31.4 | -44.8 | 22.7 | -15.6 | 20.9 | -16.6 | 36.9 | 28.4 |
| (% change from previous period) | - | - | 11.6 | 4.2 | 13.6 | -40.3 | 22.3 | -15.1 | -11.1 | 33.5 | -17.8 | 22.0 | -9.9 | 52.1 | -29.9 |
| - Building construction | 8.7 | -30.3 | 8.4 | 20.6 | 28.2 | -18.6 | -24.8 | -43.5 | -50.0 | 8.1 | -16.5 | 19.7 | -6.0 | 24.4 | 7.7 |
| - Civil engineering works | 14.6 | 22.7 | 36.0 | 24.8 | 39.3 | -13.6 | 31.1 | 17.9 | -24.2 | 58.5 | -13.8 | 23.4 | -32.3 | 62.0 | 83.5 |
| Building permits ² | 4.9 | -25.6 | 14.1 | 13.7 | 5.4 | -11.0 | -8.5 | -33.5 | -32.8 | -24.3 | -20.6 | -16.6 | -27.3 | -23.2 | 0.9 |
| Apartment presales ³ | 38.0 | 21.1 | 10.2 | 7.2 | 8.3 | 12.3 | 3.5 | 4.0 | 5.1 | 8.6 | 5.8 | 5.7 | 2.2 | 1.6 | 2.2 |

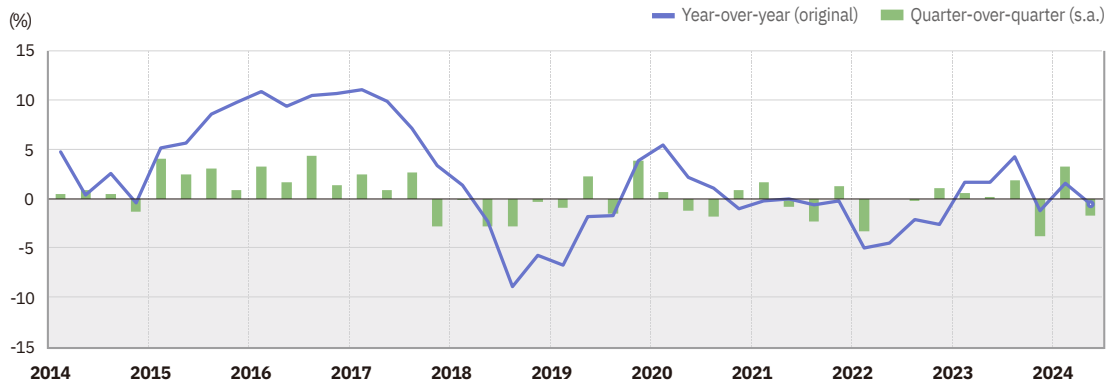
Sources: Statistics Korea; Ministry of Land Infrastructure and Transport; Real Estate 114.

¹ Preliminary.

² Gross Floor Area.

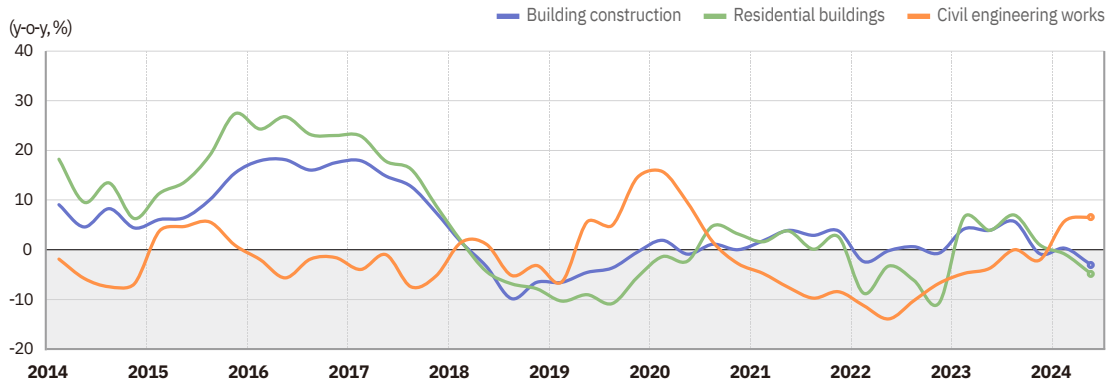
³ Thousand housing units.

Construction investment



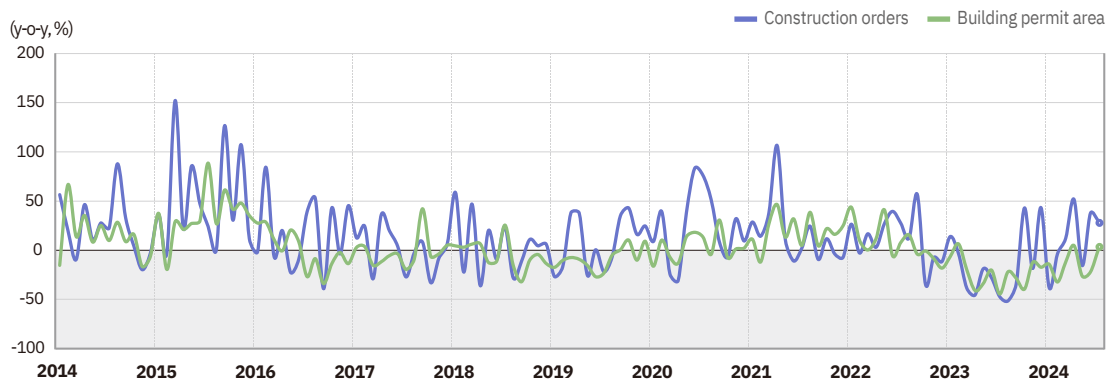
Source: National account, Bank of Korea.

Construction investment by type



Source: National account, Bank of Korea.

Leading indicators of construction investment



Sources: Statistics Korea; Ministry of Land, Infrastructure and Transport.

6. Exports and imports (Preliminary Estimate)

Exports grew by 11.4 percent year-on-year, totaling US \$57.9 billion in August.

Exports rose in seven out of the 15 major export items and in eight out of the nine major markets.

Average daily exports, an indicator measured with the number of working days factored in, rose 13.7 percent year-on-year to US \$2.5 billion.

Imports increased by 6.0 percent year-on-year to US \$54.1 billion in August as imports of energy and other goods increased.

The trade balance posted a surplus of US \$3.8 billion in August.

(US \$ billion)

| | 2022 | 2023 | 2022 | | 2023 | | | | 2024 | | 2023 | 2024 |
|-----------------------|--------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|
| | Annual | Annual | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Aug | Aug |
| Exports | 683.6 | 632.2 | 174.0 | 159.1 | 151.2 | 155.8 | 157.1 | 168.1 | 163.5 | 171.3 | 52.0 | 57.9 |
| (y-o-y, %) | 6.1 | -7.5 | 5.8 | -10.0 | -12.8 | -12.0 | -9.7 | 5.7 | 8.1 | 10.0 | -8.1 | 11.4 |
| Average daily exports | 2.5 | 2.3 | 2.5 | 2.3 | 2.2 | 2.3 | 2.3 | 2.5 | 2.4 | 2.6 | 2.2 | 2.5 |
| Imports | 731.4 | 642.6 | 192.3 | 177.6 | 174.0 | 159.3 | 150.7 | 158.6 | 154.7 | 157.0 | 51.0 | 54.1 |
| (y-o-y, %) | 18.9 | -12.1 | 22.6 | 3.1 | -2.2 | -13.2 | -21.6 | -10.7 | -11.1 | -1.4 | -22.7 | 6.0 |
| Average daily imports | 2.7 | 2.4 | 2.8 | 2.5 | 2.6 | 2.4 | 2.2 | 2.4 | 2.3 | 2.4 | 2.2 | 2.3 |
| Trade balance | -47.8 | -10.4 | -18.3 | -18.6 | -22.8 | -3.5 | 6.4 | 9.6 | 8.8 | 14.3 | 1.0 | 3.8 |

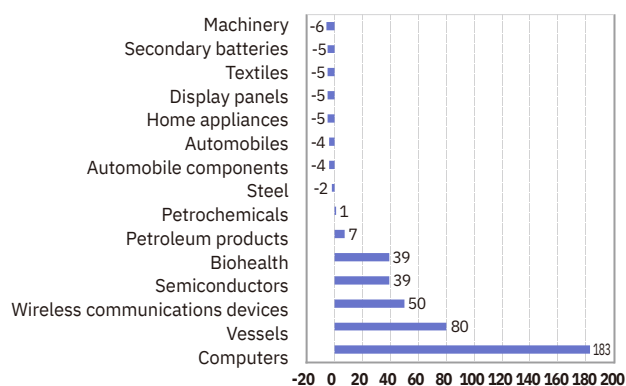
Source: Korea Customs Service.

Export growth and share by region in Aug 2024

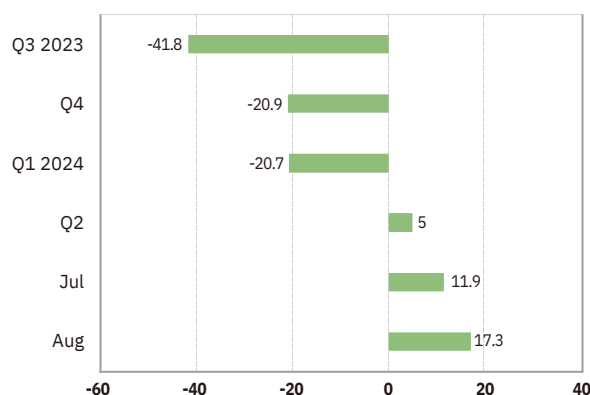
| | Growth (y-o-y, %) | Share (%) ¹ | | Growth (y-o-y, %) | Share (%) ¹ |
|---------------|-------------------|------------------------|-----------------|-------------------|------------------------|
| Latin America | 29 | 4 | China | 8 | 22 |
| EU | 16 | 10 | Japan | 7 | 7 |
| US | 11 | 12 | India | 2 | 1 |
| CIS countries | 11 | - | ASEAN countries | 2 | 12 |
| | | | Middle East | -3 | 15 |

¹ Cumulative total since January 2024.

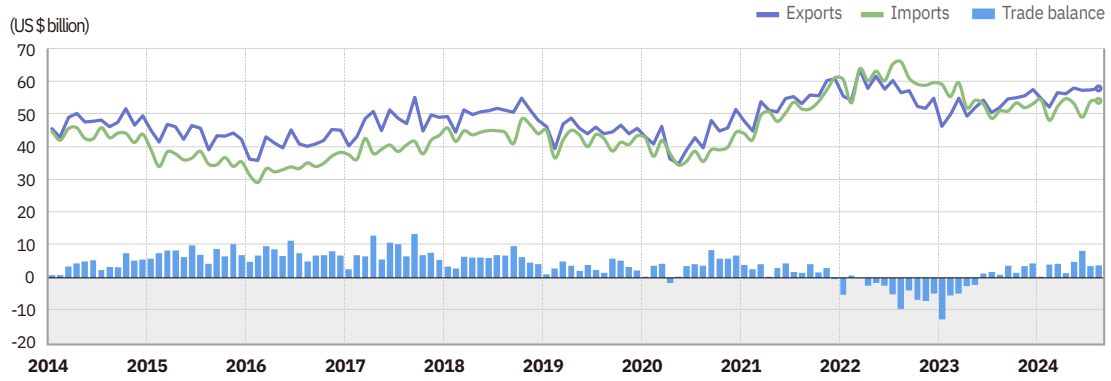
Export growth by item in Aug 2024 (y-o-y, %)



Energy Imports (y-o-y, %)

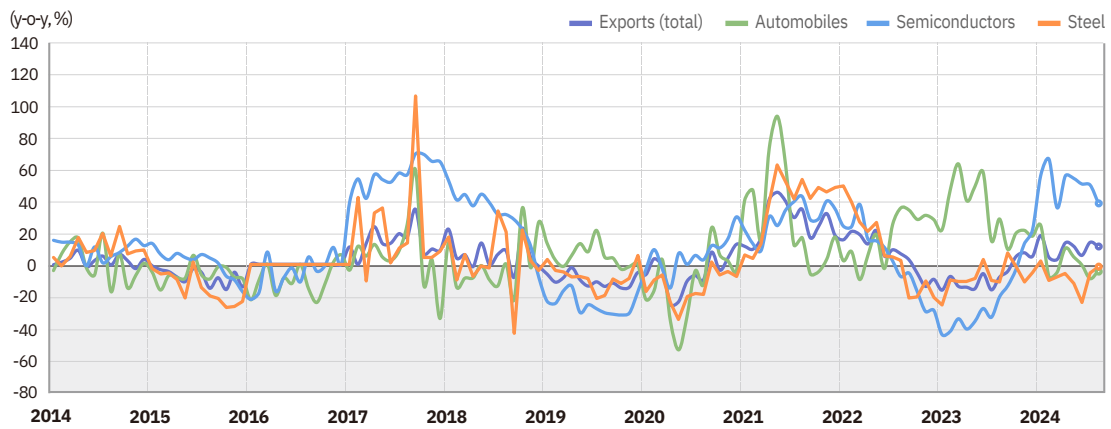


Exports and imports



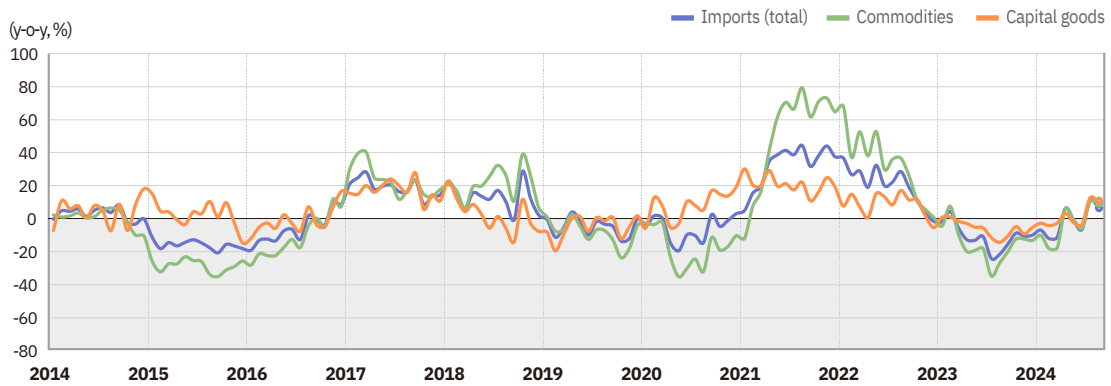
Sources: Korea Customs Service.

Export growth by item



Sources: Korea Customs Service.

Import growth by category



Sources: Korea Customs Service.

7. Employment

In August, the number of employed workers increased by about 123,000 year-on-year to 28,801,000 and the employment rate (*aged 15 and above*) fell by 0.1 percent point to 63.2 percent.

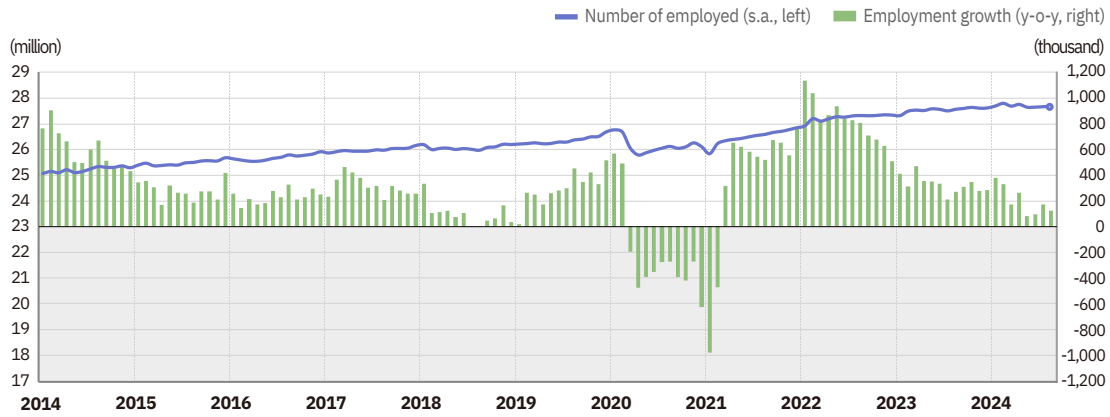
The negative employment growth in the manufacturing sector grew larger, while the negative growth in the wholesale and retail sectors seemed to slow.

In terms of employment type, the growth in the number of permanent workers expanded, while the growth of temporary workers slowed.

| | 2021 | 2022 | 2023 | 2023 | | | | | 2024 | | | | | | | |
|---------------------------------------|--------|--------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | Annual | Annual | Annual | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug |
| Number of employed (million) | 27.27 | 28.09 | 28.42 | 28.68 | 28.70 | 28.76 | 28.70 | 28.09 | 27.74 | 28.04 | 28.40 | 28.69 | 28.92 | 28.91 | 28.86 | 28.80 |
| Employment rate (%) | 60.5 | 62.1 | 62.6 | 63.1 | 63.2 | 63.3 | 63.1 | 61.7 | 61.0 | 61.6 | 62.4 | 63.0 | 63.5 | 63.5 | 63.3 | 63.2 |
| (Seasonally adjusted) | - | - | - | 62.6 | 62.7 | 62.7 | 62.6 | 62.6 | 62.8 | 63.0 | 62.8 | 62.9 | 62.6 | 62.6 | 62.6 | 62.7 |
| - 15 to 64 | 66.5 | 68.5 | 69.2 | 69.6 | 69.6 | 69.7 | 69.6 | 69.2 | 68.7 | 68.7 | 69.1 | 69.6 | 70.0 | 69.9 | 69.8 | 69.8 |
| Employment growth (y-o-y, thousand) | 369 | 816 | 327 | 268 | 309 | 346 | 277 | 285 | 380 | 329 | 173 | 261 | 80 | 96 | 172 | 123 |
| - Manufacturing | -8 | 135 | -43 | -69 | -72 | -77 | -11 | 10 | 20 | 38 | 49 | 100 | 38 | 9 | -11 | -35 |
| - Construction | 74 | 33 | -9 | -1 | 36 | 14 | 32 | 71 | 73 | 36 | 22 | 5 | -47 | -66 | -81 | -84 |
| - Services | 292 | 575 | 385 | 345 | 335 | 380 | 250 | 223 | 286 | 279 | 145 | 140 | 116 | 183 | 286 | 286 |
| · Wholesale & retail | -150 | -41 | -37 | -69 | -17 | 11 | 7 | 0 | 0 | 2 | -14 | -39 | -73 | -51 | -64 | -55 |
| · Hotels & restaurants | -47 | 84 | 114 | 121 | 66 | 52 | 7 | 17 | -8 | -2 | 7 | 29 | 80 | 47 | 34 | 7 |
| · Healthcare & social welfare service | 198 | 180 | 143 | 138 | 118 | 104 | 85 | 94 | 104 | 72 | 50 | 93 | 94 | 120 | 117 | 63 |
| - Wage workers | 421 | 749 | 327 | 230 | 337 | 398 | 337 | 332 | 376 | 386 | 216 | 345 | 208 | 223 | 252 | 189 |
| · Permanent workers | 366 | 805 | 478 | 393 | 435 | 440 | 419 | 390 | 320 | 357 | 286 | 293 | 75 | 139 | 96 | 99 |
| · Temporary workers | 152 | 43 | -61 | -14 | -31 | 68 | 25 | 11 | 137 | 207 | 97 | 200 | 249 | 204 | 227 | 191 |
| · Day laborers | -96 | -100 | -90 | -149 | -67 | -110 | -107 | -69 | -82 | -177 | -168 | -147 | -116 | -121 | -71 | -101 |
| - Nonwage workers | -53 | 68 | 0 | 38 | -29 | -52 | -60 | -47 | 4 | -57 | -43 | -84 | -128 | -127 | -80 | -67 |
| · Self-employed | -18 | 119 | 57 | 94 | 19 | -1 | 3 | 3 | 29 | -21 | -36 | -94 | -110 | -100 | -62 | -38 |
| - Male | 166 | 381 | 24 | -13 | 49 | 28 | 18 | 72 | 108 | 83 | -7 | 19 | -45 | -44 | -29 | -70 |
| - Female | 202 | 436 | 303 | 281 | 260 | 318 | 260 | 214 | 272 | 246 | 179 | 242 | 124 | 140 | 200 | 192 |
| - 15 to 29 | 115 | 119 | -98 | -103 | -89 | -82 | -67 | -74 | -85 | -61 | -131 | -89 | -173 | -149 | -149 | -142 |
| - 30 to 39 | -107 | 49 | 54 | 64 | 56 | 110 | 80 | 64 | 85 | 71 | 91 | 132 | 74 | 91 | 110 | 99 |
| - 40 to 49 | -35 | 4 | -54 | -69 | -58 | -69 | -62 | -19 | -42 | -62 | -79 | 90 | -114 | -106 | -91 | -68 |
| - 50 to 59 | 66 | 194 | 59 | 73 | 45 | 51 | 36 | 34 | 71 | 84 | 59 | 16 | 27 | 2 | 23 | 3 |
| - 60 and above | 330 | 452 | 366 | 304 | 354 | 336 | 291 | 280 | 350 | 297 | 233 | 292 | 265 | 258 | 278 | 231 |

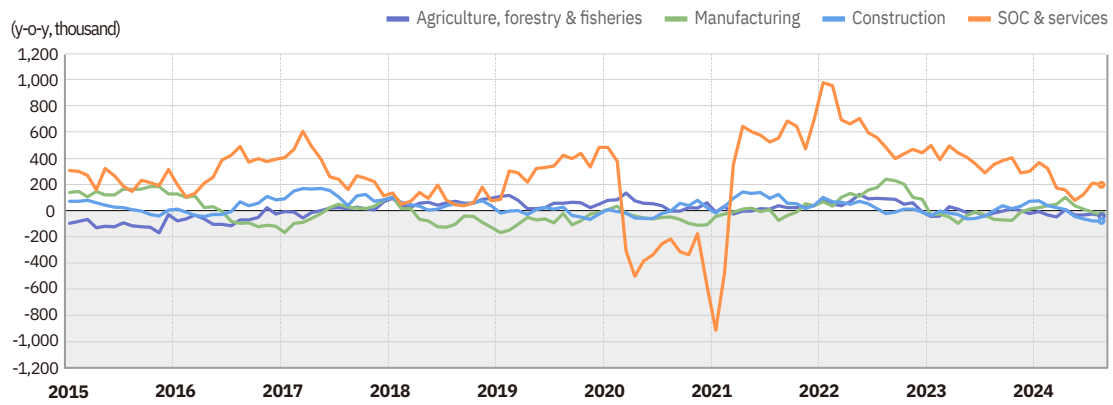
Source: Statistics Korea.

Number of employed workers and employment growth



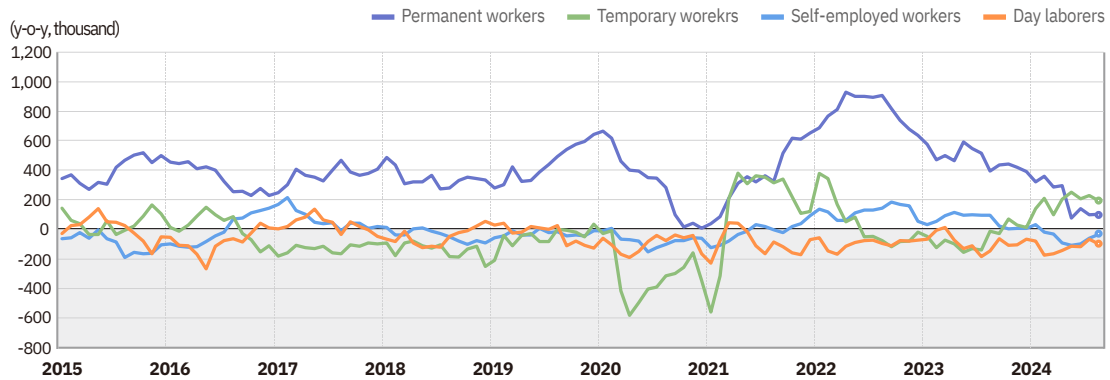
Source: Employment trends, Statistics Korea.

Employment growth by industry



Source: Economically active population survey, Statistics Korea.

Employment growth by type of employment



Source: Economically active population survey, Statistics Korea.

In August, the number of unemployed workers decreased about 9,000 year-on-year to 564,000 and the unemployment rate decreased by 0.1 percent point to 1.9 percent.

| | 2021 | 2022 | 2023 | 2023 | | | | | 2024 | | | | | | | |
|---------------------------------------|--------|--------|--------|------|-----|-----|-----|-----|-------|-----|-----|-----|-----|-----|-----|-----|
| | Annual | Annual | Annual | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug |
| Number of unemployed (thousand) | 1,037 | 833 | 787 | 573 | 661 | 627 | 677 | 944 | 1,072 | 915 | 892 | 885 | 884 | 857 | 737 | 564 |
| Unemployment growth (y-o-y, thousand) | -71 | -205 | -46 | -41 | -42 | -66 | 11 | 78 | 48 | 25 | 52 | 81 | 97 | 50 | -70 | -9 |
| - Male | -48 | -129 | -14 | -21 | -16 | -18 | 23 | 46 | 29 | 29 | 35 | 48 | 75 | 44 | -38 | -1 |
| - Female | -23 | -76 | -32 | -20 | -26 | -47 | -12 | 32 | 19 | -5 | 17 | 33 | 21 | 6 | -32 | -8 |
| Unemployment rate (%) | 3.7 | 2.9 | 2.7 | 2.0 | 2.3 | 2.1 | 2.3 | 3.3 | 3.7 | 3.2 | 3.0 | 3.0 | 3.0 | 2.9 | 2.5 | 1.9 |
| (Seasonally adjusted) | - | - | - | 2.4 | 2.6 | 2.5 | 2.8 | 3.3 | 3.0 | 2.6 | 2.8 | 2.8 | 2.8 | 2.8 | 2.5 | 2.4 |
| - 15 to 29 | 7.8 | 6.4 | 5.9 | 4.5 | 5.2 | 5.1 | 5.3 | 5.5 | 6.0 | 6.5 | 6.5 | 6.8 | 6.7 | 6.2 | 5.5 | 4.1 |
| - 30 to 39 | 3.3 | 2.7 | 2.6 | 2.3 | 2.4 | 2.3 | 2.5 | 2.6 | 2.8 | 3.1 | 3.2 | 2.8 | 2.9 | 3.1 | 2.8 | 2.4 |
| - 40 to 49 | 2.4 | 2.0 | 1.9 | 1.5 | 1.7 | 1.5 | 1.8 | 1.7 | 2.2 | 2.1 | 2.2 | 2.2 | 2.2 | 2.4 | 1.8 | 1.3 |
| - 50 to 59 | 2.6 | 1.7 | 1.7 | 1.2 | 1.5 | 1.4 | 1.7 | 1.6 | 1.9 | 1.9 | 2.2 | 2.2 | 2.0 | 1.8 | 1.5 | 1.2 |
| - 60 and above | 3.8 | 2.8 | 2.6 | 1.3 | 1.6 | 1.5 | 1.4 | 5.7 | 6.6 | 3.4 | 2.4 | 2.4 | 2.4 | 2.3 | 2.1 | 1.5 |

Source: Statistics Korea.

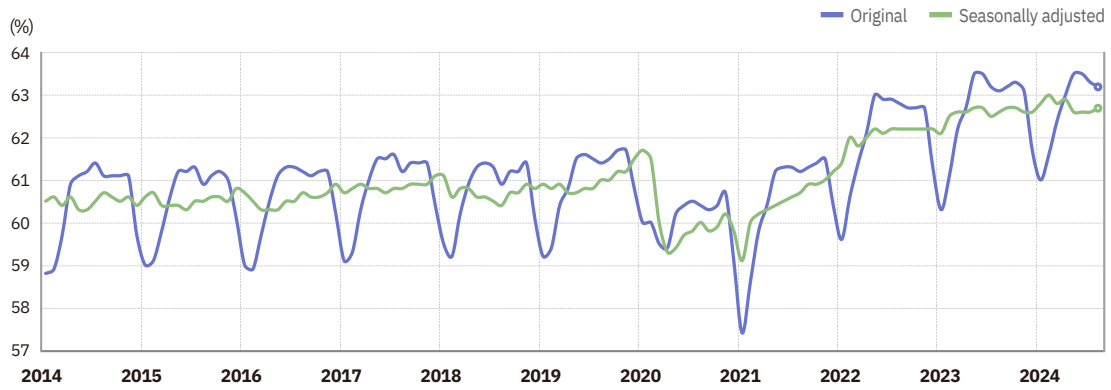
In August, the economically inactive population increased by 48,000 year-on-year to 16,210,000 and the labor force participation rate stayed unchanged at 64.4 percent.

The number of persons economically inactive due to child rearing and retaining fell, while the number of economically inactive persons due to housework and rest rose.

| | 2021 | 2022 | 2023 | 2023 | | | | | 2024 | | | | | | | |
|--|--------|--------|--------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| | Annual | Annual | Annual | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug |
| Economically inactive population (million) | 16.8 | 16.3 | 16.2 | 16.2 | 16.1 | 16.1 | 16.1 | 16.5 | 16.7 | 16.6 | 16.2 | 16.0 | 15.7 | 15.8 | 16.0 | 16.2 |
| Labor force participation rate (%) | 62.8 | 63.9 | 64.3 | 64.4 | 64.6 | 64.7 | 64.6 | 63.8 | 63.3 | 63.6 | 64.3 | 65.0 | 65.4 | 65.3 | 64.9 | 64.4 |
| (Seasonally adjusted) | - | - | - | 64.2 | 64.4 | 64.3 | 64.3 | 64.6 | 64.7 | 64.7 | 64.6 | 64.7 | 64.5 | 64.4 | 64.2 | 64.2 |
| Growth in economically inactive population (y-o-y, thousand) | -3 | -432 | -134 | -83 | -120 | -130 | -130 | -190 | -267 | -183 | -63 | -174 | -12 | 21 | 89 | 48 |
| - Childcare | -68 | -125 | -140 | -105 | -97 | -122 | -121 | -138 | -102 | -102 | -110 | -142 | -136 | -115 | -121 | -131 |
| - Housework | 51 | -53 | -1 | -50 | -20 | 17 | -19 | 13 | -21 | 49 | 34 | 7 | 63 | 58 | 53 | 61 |
| - Retraining | -164 | -136 | 11 | 21 | -2 | -29 | -10 | -20 | -46 | -27 | -55 | -92 | -54 | -67 | -24 | -45 |
| - Old age | 131 | 121 | -31 | 45 | 41 | 43 | 83 | 87 | 71 | 61 | 78 | 85 | 120 | 103 | 13 | 3 |
| - Rest | 24 | -122 | 74 | 83 | 11 | 6 | -8 | -124 | -108 | -61 | 30 | 38 | 87 | 129 | 243 | 245 |
| - Job seeking | 51 | -78 | -88 | -122 | -71 | -93 | -58 | -36 | -56 | -49 | -9 | -32 | -76 | 58 | -46 | -52 |

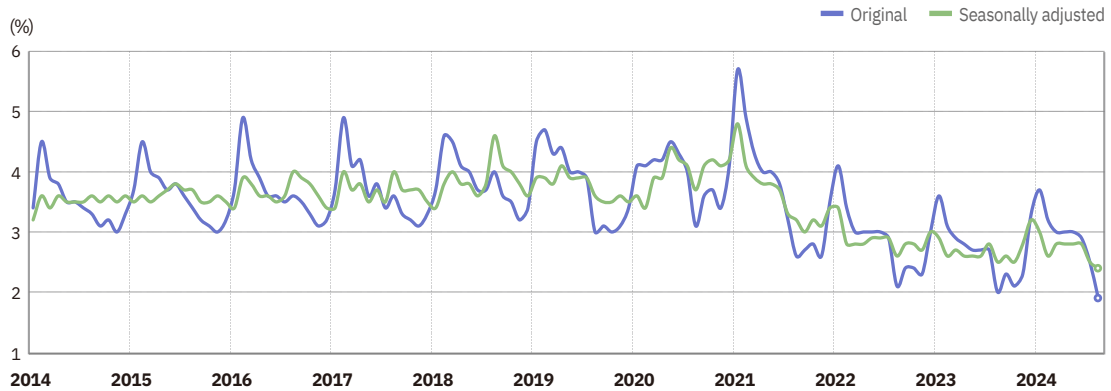
Source: Statistics Korea.

Employment rate



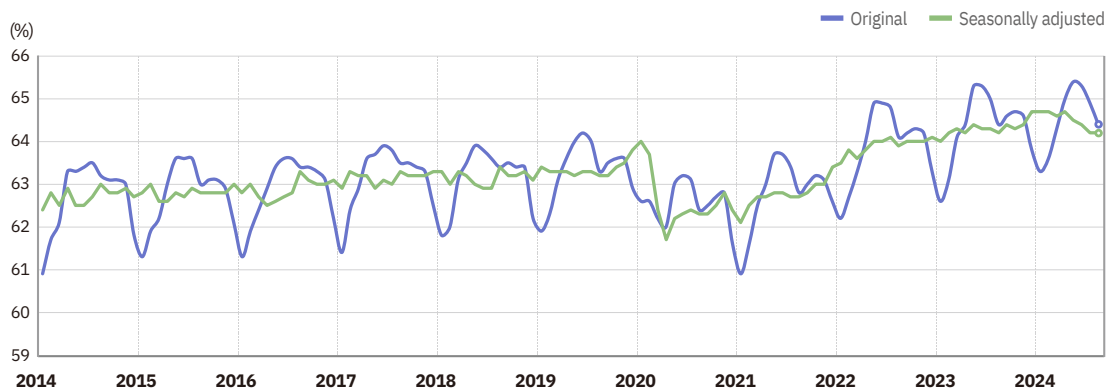
Source: Employment trends, Statistics Korea.

Unemployment rate



Source: Employment trends, Statistics Korea.

Labor force participation



Source: Employment trends, Statistics Korea.

8. Prices

The Consumer Price Index (CPI) rose 0.4 percent month-on-month and 2.0 percent from a year ago in August.

The prices of consumer goods excluding food and energy rose 2.1 percent year-on-year in August. The prices of consumer goods excluding crops and oil products rose 1.9 percent.

The index of prices for basic necessities rose 2.1 percent year-on-year in August. The fresh food price index rose 3.2 percent.

(Percentage change from same period in previous year)

| | 2023 | | | | | | | | | | | | 2024 | | | | | | | |
|---|------|-----|-----|-----|-----|-----|-----|-----|------|------|------|------|------|------|------|------|------|-----|-----|--|
| | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | |
| CPI (y-o-y) | 4.7 | 4.2 | 3.7 | 3.4 | 2.7 | 2.4 | 3.4 | 3.7 | 3.8 | 3.3 | 3.2 | 2.8 | 3.1 | 3.1 | 2.9 | 2.7 | 2.4 | 2.6 | 2.0 | |
| (m-o-m) | 0.2 | 0.2 | 0.2 | 0.3 | 0.0 | 0.1 | 0.9 | 0.5 | 0.4 | -0.5 | 0.0 | 0.4 | 0.5 | 0.1 | 0.0 | 0.1 | -0.2 | 0.3 | 0.4 | |
| Excluding food and energy | 3.9 | 4.0 | 3.9 | 3.8 | 3.3 | 3.2 | 3.1 | 3.1 | 3.1 | 2.9 | 2.8 | 2.5 | 2.5 | 2.4 | 2.3 | 2.2 | 2.2 | 2.2 | 2.1 | |
| Excluding crops and oil products | 4.7 | 4.7 | 4.5 | 4.3 | 4.0 | 3.8 | 3.7 | 3.7 | 3.5 | 3.2 | 3.1 | 2.6 | 2.6 | 2.4 | 2.2 | 2.0 | 2.0 | 2.1 | 1.9 | |
| Basic necessities | 5.3 | 4.3 | 3.7 | 3.3 | 2.5 | 2.0 | 3.9 | 4.4 | 4.5 | 3.9 | 3.7 | 3.4 | 3.7 | 3.8 | 3.5 | 3.1 | 2.8 | 3.0 | 2.1 | |
| Fresh food | 3.4 | 7.2 | 3.4 | 3.8 | 4.2 | 2.2 | 6.6 | 7.6 | 13.3 | 13.7 | 14.5 | 14.4 | 20.0 | 19.5 | 19.1 | 17.3 | 11.7 | 7.7 | 3.2 | |

Source: Statistics Korea.

In August, the prices of farm and fishery products grew at a slower rate than the previous month following a new harvest of fruits; however, vegetable prices increased due to a prolonged heat wave.

Domestic petroleum prices decreased compared to the same period in the previous year, driven by falling international oil prices and strengthening of Korean Won.

(Percentage change from same period in previous year)

| | Farm and fishery products | Manufactured products | Petroleum products | Public utilities | Housing rents | Public services | Personal services |
|--------------------------|---------------------------|-----------------------|--------------------|------------------|---------------|-----------------|-------------------|
| Jul 2024 | 5.5 | 2.6 | 8.4 | 1.0 | 0.4 | 1.9 | 2.9 |
| Aug 2024 | 2.4 | 1.4 | 0.1 | 3.3 | 0.4 | 1.4 | 3.0 |
| Contribution (%p) | 0.2 | 0.5 | 0.0 | 0.1 | 0.0 | 0.2 | 1.0 |

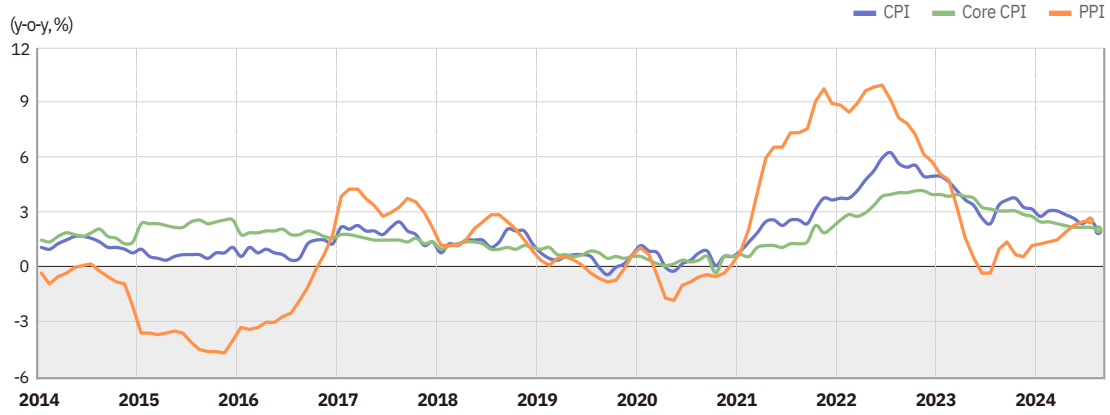
Source: Statistics Korea.

(Won/liter, period average)

| | 2022 | 2023 | 2022 | | | | 2023 | | | | 2024 | | | | | | | |
|------------------------|--------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|----------------------|----------------------|----------------------|----------------------|
| | Annual | Annual | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Jul | Aug | 1 st week | 2 nd week | 3 rd week | 4 th week |
| Gasoline prices | 1,813 | 1,643 | 1,764 | 2,009 | 1,852 | 1,627 | 1,578 | 1,617 | 1,690 | 1,687 | 1,607 | 1,681 | 1,707 | 1,691 | 1,704 | 1,695 | 1,684 | 1,669 |
| Diesel prices | 1,843 | 1,558 | 1,608 | 1,986 | 1,942 | 1,833 | 1,607 | 1,467 | 1,544 | 1,615 | 1,512 | 1,528 | 1,542 | 1,529 | 1,541 | 1,533 | 1,521 | 1,506 |

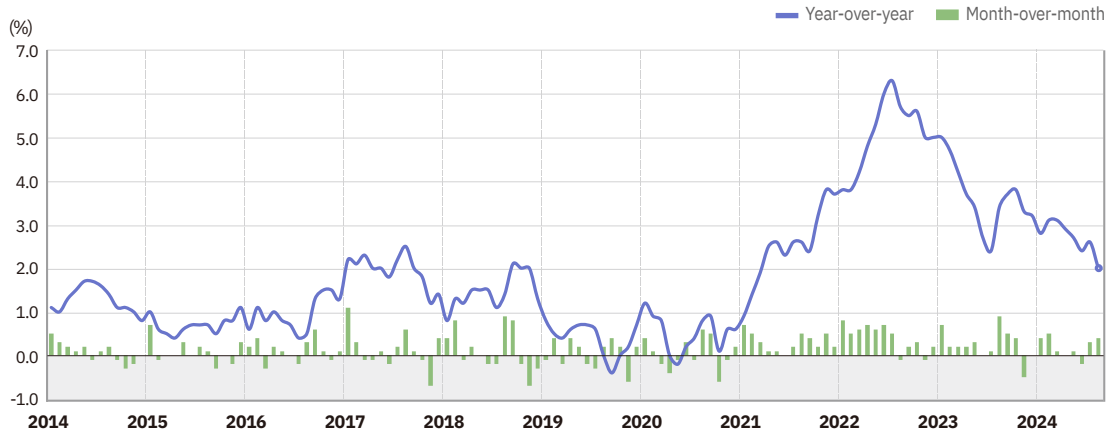
Source: Korea National Oil Corporation.

Prices



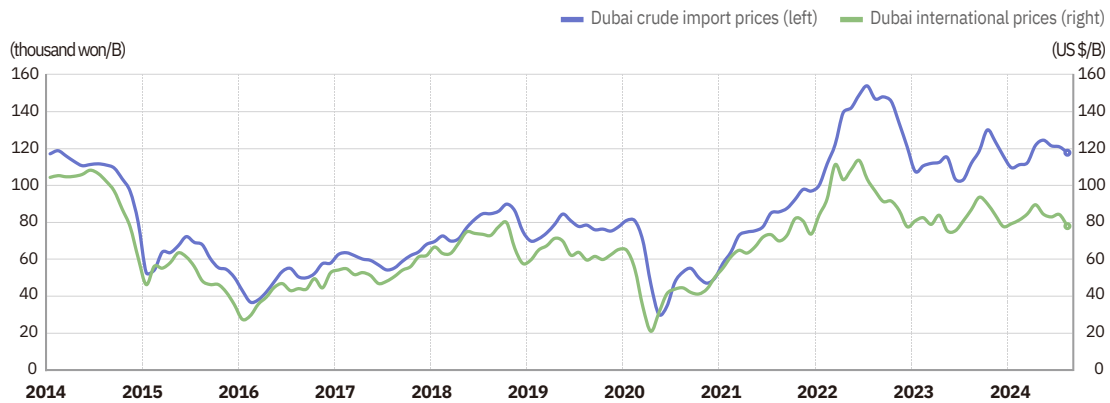
Sources: Consumer price trends, Statistics Korea; Bank of Korea.

Consumer price inflation



Source: Consumer price trends, Statistics Korea.

Dubai crude prices and import prices



Source: Korea National Oil Corporation.

International oil prices fell amid sluggish demand from China and weak performance in the U.S. labor market.

International grain prices continued to decrease due to favorable supply conditions.

Nonferrous metal prices continued to decrease amid concerns of a slowdown in demand from major markets.

(Period average)

| | 2022 | 2023 | 2022 | | | | 2023 | | | | 2024 | | | |
|----------------------------|--------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | Annual | Annual | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Jul | Aug |
| Dubai crude ¹ | 96.4 | 82.1 | 96.2 | 108.3 | 96.7 | 84.8 | 80.3 | 77.6 | 86.6 | 83.7 | 81.2 | 85.3 | 83.8 | 77.6 |
| WTI crude ¹ | 94.4 | 77.6 | 95.0 | 108.9 | 91.4 | 82.6 | 76.0 | 73.6 | 82.2 | 78.5 | 76.9 | 80.7 | 80.5 | 75.4 |
| Brent crude ¹ | 99.1 | 82.2 | 97.9 | 112.0 | 97.7 | 88.6 | 82.1 | 77.7 | 85.9 | 82.9 | 81.8 | 85.0 | 83.9 | 78.9 |
| Reuters Index ² | 3,542 | 3,104 | 3,489 | 3,791 | 3,497 | 3,397 | 3,265 | 3,040 | 3,066 | 3,045 | 2,948 | 3,110 | 3,110 | 3,024 |

Source: Korea National Oil Corporation; Korea PDS.

¹ US \$/barrel,

² A weighted average index of 17 major commodities (Sep 18, 1931=100)

International grain prices growth in Aug 2024 (m-o-m, %)

| | |
|----------|------|
| Soybeans | -2.6 |
| Wheat | -7.4 |
| Corn | -3.4 |

Note: Monthly average prices.

Nonferrous metal prices growth in Aug 2024 (m-o-m, %)

| | |
|----------|------|
| Copper | -4.5 |
| Aluminum | -0.9 |
| Nickel | -0.8 |

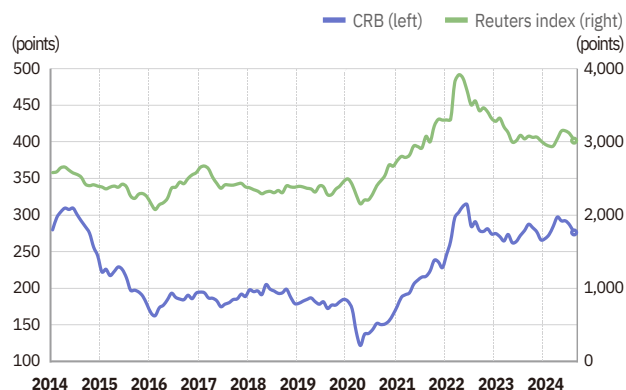
Note: Monthly average prices.

International oil prices



Source: Korea National Oil Corporation.

International commodity prices



Source: Korea PDS

9. Housing market

Nationally, housing sales prices rose 0.24 percent month-on-month in August.

Within the Seoul metropolitan area, housing sales prices rose 0.53 percent, rising 0.83 percent in Seoul, 0.36 percent in Gyeonggi Province, and 0.43 in Incheon.

In the areas excluding the Seoul metropolitan, housing sales prices declined 0.04 percent, decreasing 0.13 percent in the five metropolitan cities and increasing 0.02 percent in the eight provinces on the average.

Housing sales prices

(Percentage change from previous period)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2023 | 2024 | | | |
|---|--------|--------|--------|--------|--------|------|------------------|-------|-------|-------|
| | Annual | Annual | Annual | Annual | Annual | Aug | Cumulative total | Jun | Jul | Aug |
| Nationwide | -0.4 | 5.4 | 9.9 | -4.7 | -3.6 | 0.16 | -0.05 | 0.04 | 0.15 | 0.24 |
| Seoul metropolitan area | 0.5 | 6.5 | 12.8 | -6.5 | -3.6 | 0.30 | 0.69 | 0.19 | 0.40 | 0.53 |
| - Seoul | 1.2 | 2.7 | 6.5 | -4.8 | -2.0 | 0.29 | 1.99 | 0.38 | 0.76 | 0.83 |
| · Southern Seoul | 1.4 | 2.2 | 6.8 | -4.1 | -1.5 | 0.35 | 2.30 | 0.40 | 0.88 | 0.97 |
| · Northern Seoul | 1.1 | 3.2 | 6.1 | -5.4 | -2.4 | 0.23 | 1.67 | 0.36 | 0.63 | 0.68 |
| Areas excluding the Seoul metropolitan area | -1.1 | 4.3 | 7.4 | -3.0 | -3.5 | 0.02 | -0.74 | -0.10 | -0.08 | -0.04 |

Source: Korea Real Estate Board.

Housing sales prices in six major cities in Aug 2024 (m-o-m, %)

| Busan | Daegu | Gwangju | Daejeon | Ulsan | Sejong |
|-------|-------|---------|---------|-------|--------|
| -0.09 | -0.33 | -0.07 | -0.08 | 0.01 | -0.18 |

Source: Korea Real Estate Board.

Nationally, housing rental prices rose 0.22 percent month-on-month in August.

By region, housing rental prices increased 0.46 percent in the Seoul metropolitan area while falling 0.02 percent in other areas.

Housing rental prices

(Percentage change from previous period)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2023 | 2024 | | | |
|---|--------|--------|--------|--------|--------|-------|------------------|-------|-------|-------|
| | Annual | Annual | Annual | Annual | Annual | Aug | Cumulative total | Jun | Jul | Aug |
| Nationwide | -1.3 | 4.6 | 6.5 | -5.6 | -5.1 | 0.15 | 0.81 | 0.11 | 0.16 | 0.22 |
| Seoul metropolitan area | -0.8 | 5.6 | 7.7 | -8.0 | -5.7 | 0.34 | 2.13 | 0.31 | 0.40 | 0.46 |
| - Seoul | -0.4 | 3.7 | 4.9 | -6.5 | -5.3 | 0.31 | 2.36 | 0.38 | 0.54 | 0.52 |
| · Southern Seoul | -0.5 | 4.4 | 5.1 | -6.9 | -5.8 | 0.35 | 2.07 | 0.32 | 0.52 | 0.53 |
| · Northern Seoul | -0.4 | 2.9 | 4.7 | -6.2 | -4.7 | 0.28 | 2.67 | 0.45 | 0.55 | 0.50 |
| Areas excluding the Seoul metropolitan area | -1.7 | 3.7 | 5.5 | -3.3 | -4.4 | -0.03 | -0.42 | -0.06 | -0.06 | -0.02 |

Source: Korea Real Estate Board.

Housing rental prices in major districts in Aug 2024 (m-o-m, %)

| Gangnam | Seocho | Seongdong | Nowon | Yeongdeungpo |
|---------|--------|-----------|-------|--------------|
| 0.79 | 0.79 | 1.18 | 0.92 | 0.91 |

Source: Korea Real Estate Board.

There were 68,296 housing sales transactions in July, up 22.5 percent month-on-month (55,760 in June 2024) and up 41.8 percent year-on-year (48,170 in July 2023).

Housing sales transactions

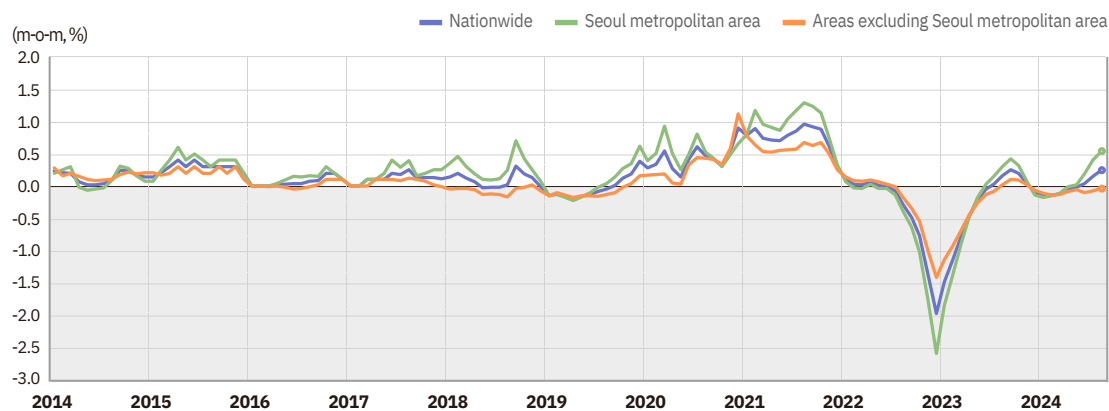
(Thousand)

| | 2020 | 2021 | 2022 | 2023 | 2023 | | | | | | 2024 | | | | | | |
|------------|---------------------|---------------------|---------------------|---------------------|------|-----|-----|-----|-----|-----|------|-----|-----|-----|-----|-----|-----|
| | Annual ¹ | Annual ¹ | Annual ¹ | Annual ¹ | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul |
| Nationwide | 107 | 85 | 42 | 46 | 48 | 52 | 49 | 48 | 45 | 38 | 43 | 43 | 53 | 58 | 57 | 56 | 68 |

¹ Monthly average.

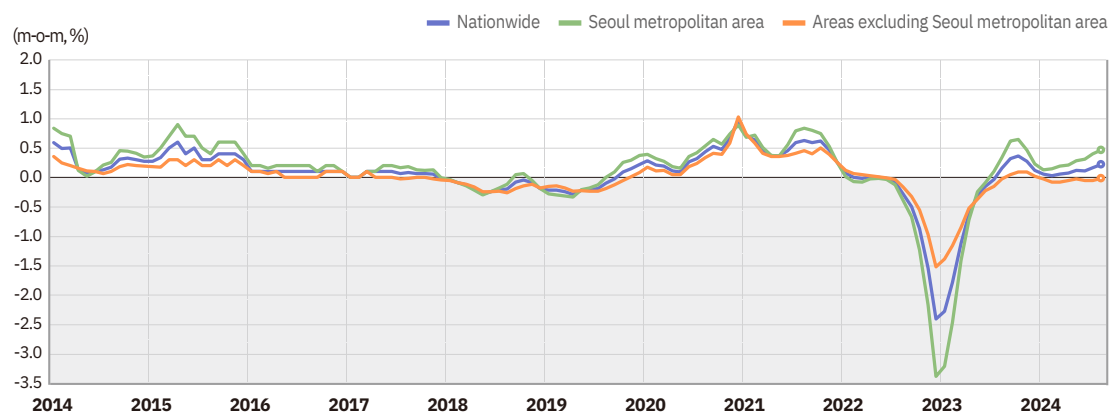
Source: Ministry of Land, Infrastructure and Transport.

Housing sales prices



Source: Korea Real Estate Board

Housing rental prices



Source: Korea Real Estate Board

Financial Markets

1. Stock market

The Korean equity markets, KOSPI and KOSDAQ, fell in August due to concerns of a slowdown in the U.S. economy, expectations of weaker profitability among big tech and AI-driven companies, and net selling by foreign investors.

| | KOSPI | | | KOSDAQ | | |
|--------------------------------------|----------|----------|----------------|----------|----------|----------------|
| | Jul 2024 | Aug 2024 | Change | Jul 2024 | Aug 2024 | Change |
| Stock price index (points) | 2,770.7 | 2,674.3 | -96.4 (-3.48%) | 803.2 | 767.7 | -35.5 (-4.42%) |
| Market capitalization (trillion won) | 2,262.8 | 2,187.5 | -75.3 (-3.33%) | 392.9 | 377.6 | -15.3 (-3.89%) |
| Daily trade (trillion won) | 12.0 | 10.7 | -1.3 (-10.83) | 7.4 | 7.6 | 0.2 (2.70%) |
| Foreign stock ownership (% , %p) | 35.64 | 34.62 | -1.02 (-2.86) | 9.59 | 9.74 | 0.15 (1.56%) |

Source: Korea Exchange.
 Note: The figures are closing rate.

2. Bond market

The government issued 11.8 trillion won worth of Treasury bonds in August.

(End-period, trillion won)

| | 2020 | 2021 | 2022 | 2023 | 2023 | | | | | 2024 | | | | | | | |
|--------------------------------------|--------|--------|--------|--------|------|------|------|-----|-----|------|------|------|------|------|------|------|------|
| | Annual | Annual | Annual | Annual | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug |
| Treasury bonds issuance ¹ | 174.5 | 180.5 | 168.6 | 165.7 | 14.9 | 13.2 | 10.5 | 6.9 | 4.0 | 12.5 | 17.5 | 18.4 | 15.0 | 18.5 | 18.3 | 15.8 | 11.8 |

Source: Monthly public finance, Ministry of Economy and Finance.
¹ Issuance limit is 158.4 trillion won in 2024.

Korean Treasury bond yields fell due to heightened expectations of an interest rate cut by the Fed amid concerns of an economic slowdown in the U.S. and net selling by foreign investors.

Yields to maturity in Aug 2024 (m-o-m, basis points)

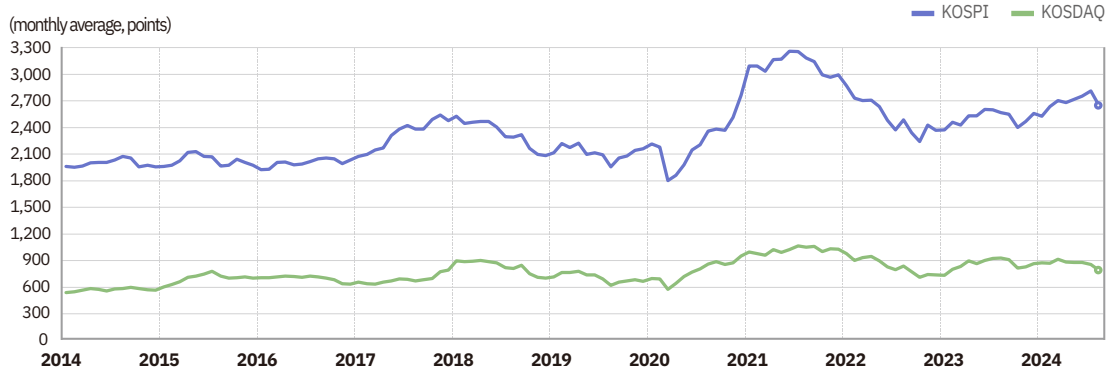
| 3 yrs | 5 yrs | 10 yrs | 20 yrs | 30 yrs |
|-------|-------|--------|--------|--------|
| -5 | -1 | 2 | 4 | 3 |

(Percent per annum)

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | | |
|-------------------------|------|------|------|------|------|------|------|------|------|---------------------|
| | Dec | Dec | Dec | Dec | Dec | Dec | Dec | Jul | Aug | Change ¹ |
| Call rate (1 day) | 1.58 | 1.89 | 1.39 | 0.61 | 1.44 | 3.38 | 3.91 | 3.53 | 3.54 | 1 |
| CD (91 days) | 1.66 | 1.93 | 1.53 | 0.66 | 1.29 | 3.98 | 3.83 | 3.50 | 3.52 | 2 |
| Treasury bonds (3 yrs) | 2.14 | 1.82 | 1.36 | 0.98 | 1.80 | 3.72 | 3.15 | 3.00 | 2.95 | -5 |
| Treasury bonds (5 yrs) | 2.34 | 1.88 | 1.48 | 1.34 | 2.01 | 3.74 | 3.16 | 3.02 | 3.01 | -1 |
| Corporate bonds (3 yrs) | 2.68 | 2.29 | 1.94 | 2.21 | 2.42 | 5.23 | 3.90 | 3.46 | 3.50 | 4 |

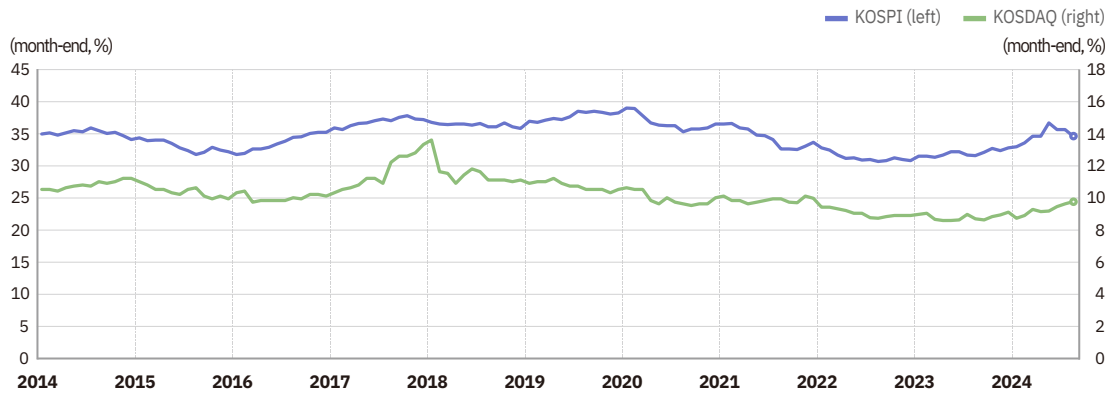
Source: Bank of Korea.
 Note: Figures are closing rate.
¹ Change from the previous month as of end-Aug 2024, basis point.

Stock prices



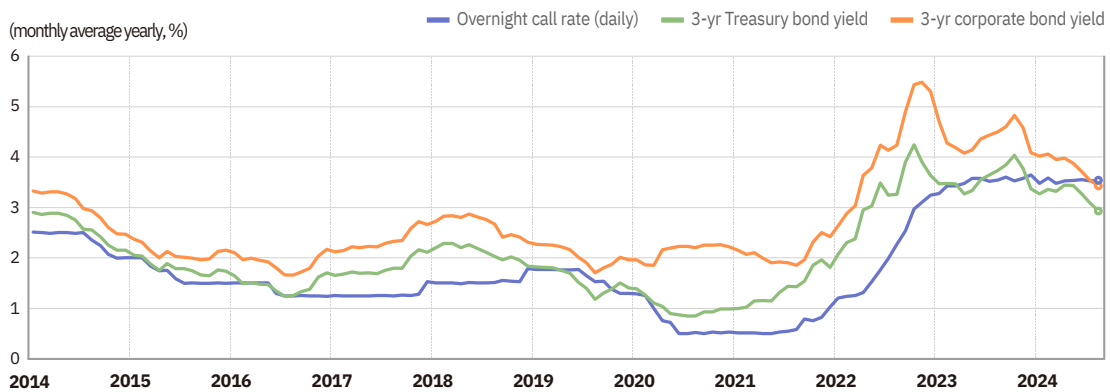
Source: Korea Exchange

Foreign stock ownership



Sources: Financial Supervisory Service, Korea Exchange

Interest rates



Source: Bank of Korea

3. Foreign exchange market

The won strengthened against the US dollar in August compared to the previous month.

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | | |
|-------------|---------|---------|---------|---------|---------|---------|---------|---------------------|
| | Dec | Dec | Dec | Dec | Dec | Jul | Aug | Change ¹ |
| Dollar-Won | 1,156.4 | 1,086.3 | 1,188.8 | 1,264.5 | 1,288.0 | 1,376.5 | 1,336.0 | 3.0 |
| 100 Yen-Won | 1,059.8 | 1,051.2 | 1,032.5 | 945.6 | 912.25 | 905.4 | 921.8 | -1.8 |
| Yuan-Won | 165.6 | 167.0 | 186.6 | 181.6 | 181.17 | 190.17 | 188.4 | 0.9 |

Source: Bank of Korea.

Note: The exchange rate is based on the closing price at 3:30 pm, local time.

¹ Appreciation from the end of the previous month as of end-Aug 2024, %.

4. Money market

M2 (*monthly average*) rose 6.2 percent year-on-year in July.

(Percentage change from same period in previous year)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | | |
|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|------------------|------------------|------------------|
| | Annual | Annual | Annual | Annual | Annual | Annual | Annual | Annual | Jun ¹ | Jul ¹ | Jul ² |
| M1 ³ | 15.4 | 9.2 | 4.9 | 4.3 | 20.8 | 21.0 | 4.0 | -10.5 | 3.5 | 2.5 | 1,229.8 |
| M2 | 7.3 | 5.5 | 6.3 | 7.0 | 9.3 | 11.7 | 8.5 | 2.9 | 6.1 | 6.2 | 4,057.9 |
| Lf ⁴ | 8.1 | 6.7 | 7.0 | 7.9 | 8.3 | 9.8 | 7.5 | 3.1 | 5.8 | 5.4 | 5,535.9 |

Source: Bank of Korea.

¹ Preliminary.

² Period-average, trillion won.,

³ M1 excludes corporate MMFs and individual MMFs, and includes CMAs.

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

In August, the deposits of banks rose significantly by 21.5 trillion won, while the deposits of Asset Management Companies (AMC) fell by 0.9 trillion won.

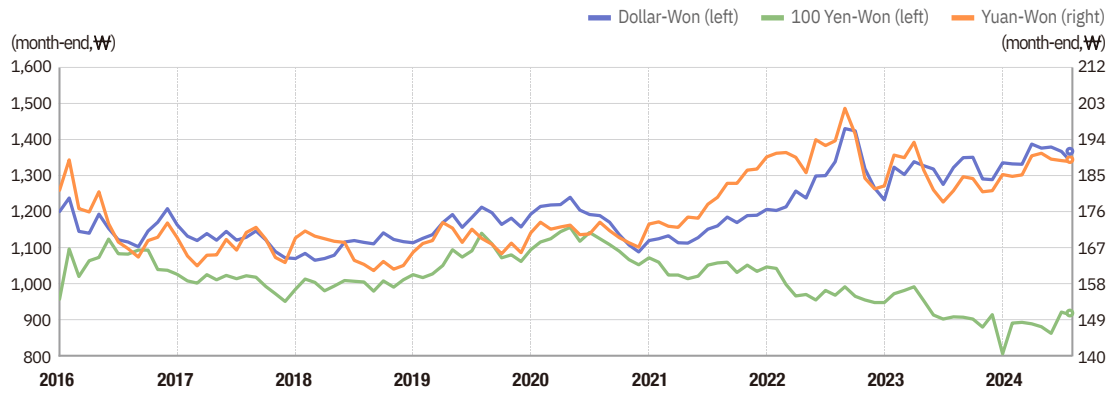
(Change from the end of the previous period, trillion won)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | | | | |
|---------------|--------|--------|--------|--------|--------|--------|--------|--------|------|------|-------|------|------------------|
| | Annual | Annual | Annual | Annual | Annual | Annual | Annual | Annual | May | Jun | Jul | Aug | Aug ¹ |
| Bank deposits | 80.8 | 79.5 | 91.6 | 106.3 | 188.4 | 198.5 | 107.4 | 76.4 | 25.0 | 26.4 | -30.7 | 21.5 | 2,371.9 |
| AMC deposits | 47.6 | 27.9 | 53.8 | 98.6 | 42.2 | 93.9 | 44.4 | 93.7 | 17.6 | -2.5 | 34.4 | -0.9 | 1,041.6 |

Source: Bank of Korea.

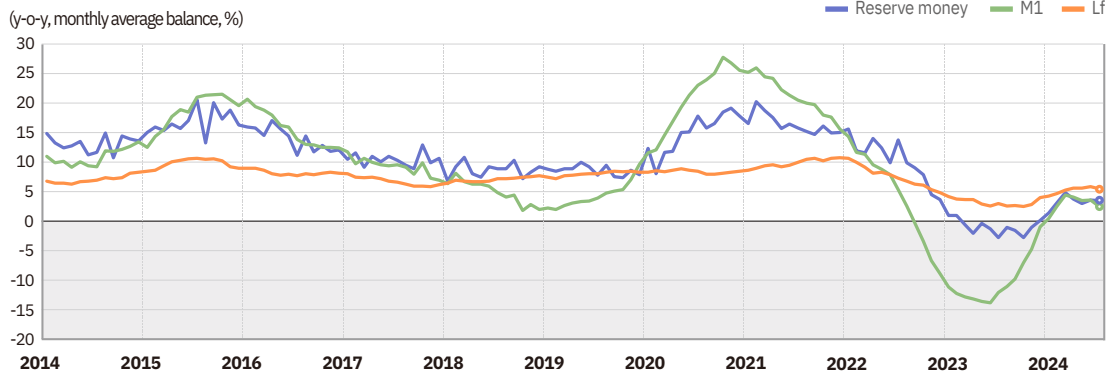
¹Balance at end-Aug 2024.

Foreign exchange rates



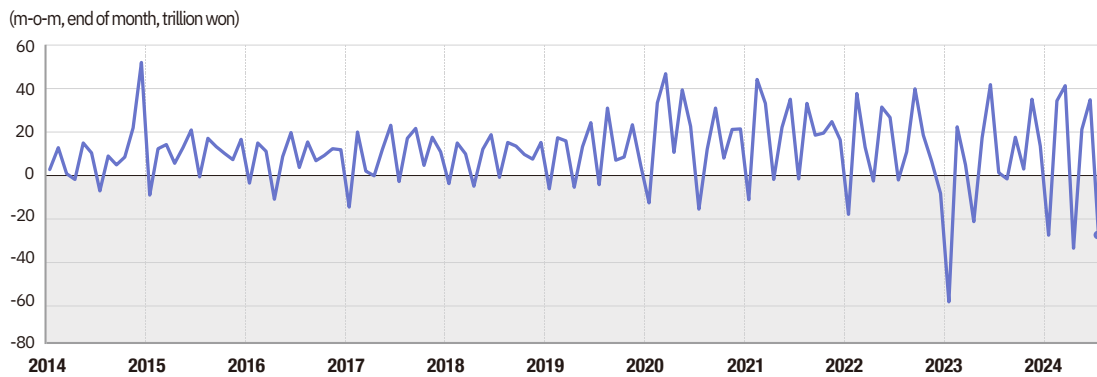
Source: Bank of Korea.

Total money supply



Source: Bank of Korea.

Total deposits of banks



Source: Bank of Korea.

5. Official foreign reserves

Korea's official foreign reserves increased month-on-month to US \$415.9 billion as of the end of August.

(US \$ billion)

| | 2020 | 2021 | 2022 | 2023 | 2023 | | |
|-----------------------------|-------|-------|-------|-------|-------|---------------|----------------|
| | | | | | Jul | Aug | Change (m-o-m) |
| Official foreign reserves | 443.1 | 463.1 | 423.2 | 420.2 | 413.5 | 415.9 (100%) | 2.4 |
| - Securities ¹ | 409.8 | 421.7 | 369.7 | 373.7 | 367.1 | 369.4 (88.8%) | 2.4 |
| - Deposits | 20.3 | 16.6 | 29.3 | 22.0 | 22.4 | 22.1 (5.3%) | -0.3 |
| - SDRs | 3.4 | 15.4 | 14.8 | 15.1 | 15.0 | 15.3 (3.7%) | 0.3 |
| - IMF position ² | 4.8 | 4.6 | 4.5 | 4.6 | 4.4 | 4.4 (1.1%) | 0.0 |
| - Gold | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 (1.2%) | 0.0 |

Source: Bank of Korea.

¹ Including government bonds, government agency bonds, debentures, MBSs, ABSs, etc.

² Claims related to the IMF composed of the reserve tranche position (RTP) and loans.

6. External debt

External debt amounted to US \$658.3 billion as of the second quarter of 2024, down US \$9.2 billion quarter-on-quarter. Short-term debt was US \$142.0 billion (*up US \$0.9 billion q-o-q*), and long-term debt was US \$516.3 billion (*down US \$10.1 billion q-o-q*). Net external assets decreased by US \$3.1 billion to US \$381.5 billion.

(End-period, US \$billion)

| | 2023 ¹ | | | | 2024 ¹ | | Change (q-o-q) |
|--|-------------------|---------|---------|---------|-------------------|---------|----------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | |
| External assets (in debt instruments, A) | 1,039.1 | 1,035.1 | 1,017.4 | 1,044.5 | 1,052.1 | 1,039.7 | -12.3 |
| Total debt (B) | 673.0 | 674.2 | 659.8 | 672.5 | 667.5 | 658.3 | -9.2 |
| - Short-term | 178.8 | 166.1 | 146.1 | 140.7 | 141.0 | 142.0 | 0.9 |
| - Long-term | 494.2 | 508.1 | 513.7 | 531.9 | 526.5 | 516.3 | -10.1 |
| Short-term/Total debt (%) | 26.6 | 24.6 | 22.1 | 20.9 | 21.1 | 21.6 | 0.4%p |
| Short-term/Reserve assets (%) | 42.0 | 39.4 | 35.3 | 33.5 | 33.6 | 34.4 | 0.8%p |
| Net external assets (A-B) | 366.1 | 360.8 | 357.6 | 372.0 | 384.6 | 381.5 | -3.1 |

Source: Ministry of Economy and Finance, Bank of Korea.

¹ Preliminary.

Public Finance

1. Fiscal balance

The consolidated fiscal balance recorded a deficit of 52.3 trillion won in July, an increase of 14.5 trillion won y-o-y. The managed fiscal balance also recorded a deficit of 83.2 trillion won, an increase of rose 15.3 trillion won y-o-y.

(Trillion won, percent)

| | 2023 | | | | | 2024 ¹ | | | | Change |
|--|-----------------|----------------|---------------------|---------|---------|-------------------|---------------------|---------|---------|--------|
| | Main budget (a) | Settlement (b) | Jul (Cumulative, c) | (c)/(a) | (c)/(b) | Main budget (d) | Jul (Cumulative, e) | (e)/(d) | (e)-(c) | |
| A. Total revenue | 625.7 | 573.9 | 353.4 | 56.5 | 61.6 | 612.2 | 357.2 | 58.3 | 3.9 | |
| B. Total spending | 638.7 | 610.7 | 391.2 | 61.3 | 64.1 | 656.6 | 409.5 | 62.4 | 18.3 | |
| C. Consolidated fiscal balance (A-B) | -13.1 | -36.8 | -37.9 | - | - | -44.4 | -52.3 | - | -14.5 | |
| D. Net social security fund ² | 45.1 | 50.3 | 30.0 | - | - | 47.2 | 30.8 | - | 0.8 | |
| E. Managed fiscal balance (C-D) | -58.2 | -87.0 | -67.9 | - | - | -91.6 | -83.2 | - | -15.3 | |

Source: Monthly public finance and Open fiscal data, Ministry of Economy and Finance.

¹ Preliminary. ² National Pension Fund, Private School Personnel Pension Fund, Industrial Accident Compensation Insurance & Prevention Fund and Employment Insurance Fund.

Fiscal balance and outlook

(Trillion won)

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|-----------------------------|-------|-------|-------|-------|-------|-------|--------|-------|--------|-------|--------|
| Consolidated fiscal balance | 8.5 | -0.2 | 16.9 | 24.0 | 31.2 | -12.0 | -71.2 | -30.4 | -64.6 | -36.8 | -76.0 |
| Managed fiscal balance | -29.5 | -38.0 | -22.7 | -18.5 | -10.6 | -54.4 | -112.0 | -90.5 | -117.0 | 87.0 | -103.4 |

Source: Monthly public finance and Open fiscal data, Ministry of Economy and Finance.

2. Government debt

Central government debt in July amounted to 1,159.3 trillion won, up 13.4 trillion won from a month earlier. Treasuries totaled 1,157.9 trillion won. Bonds were 1,066.2 trillion won, national housing bonds were 79.9 trillion won, and foreign exchange stabilization bonds were 11.8 trillion won.

(Trillion won)

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 ¹ | |
|--|--------|--------|--------|--------|---------|---------|-------------------|---------|
| | Annual | Annual | Annual | Annual | Annual | Annual | Jun | Jul |
| Central gov't debt | 651.8 | 699.0 | 819.2 | 939.1 | 1,033.4 | 1,092.5 | 1,145.9 | 1,159.3 |
| (% of GDP) | 34.3 | 36.3 | 42.2 | 45.1 | 47.8 | 48.9 | - | - |
| - Treasuries (total) ² | 648.4 | 696.3 | 815.2 | 937.0 | 1,031.5 | 1,091.1 | 1,144.5 | 1,157.9 |
| • Bonds | 567.0 | 611.5 | 726.8 | 843.7 | 937.5 | 998.0 | 1,052.9 | 1,066.2 |
| • National housing bonds | 73.3 | 76.4 | 78.9 | 82.2 | 82.2 | 81.6 | 81.2 | 79.9 |
| • Foreign exchange stabilization bonds | 8.0 | 8.3 | 9.5 | 11.2 | 11.8 | 11.5 | 10.4 | 11.8 |
| - Loans | 3.2 | 2.6 | 3.3 | 2.0 | 1.9 | 1.2 | 1.2 | 1.2 |
| - Treasury commitments | 0.2 | 0.1 | 0.7 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 |

Source: Monthly public finance and Open fiscal data, Ministry of Economy and Finance.

¹ Preliminary. ² Including debt-equity swap securities for international organizations.

Policy Issue

A scenic landscape of mountains with autumn foliage and a sea of clouds. The mountains are covered in trees with vibrant autumn colors, including shades of orange, yellow, and green. A thick layer of white clouds or fog fills the valleys and lower slopes, creating a misty atmosphere. The sky is a clear, bright blue.

- **2025 Budget Proposal**

The goal of the 2025 budget proposal is to promote a dynamic economy and stabilize the livelihoods of working- and middle-class Koreans.

2025 Budget Proposal

I. 2025 Budget Proposal Directions

The goal of the 2025 budget proposal is to promote a dynamic economy and stabilize the livelihoods of working- and middle-class Koreans. The budget proposal mainly focuses on i) prioritizing public spending on key social economic issues impacting Koreans, ii) enhancing the competitiveness of the Korean economy and implementing social structural reforms, and iii) maintaining fiscal soundness through innovative management of public finances.

1. Key features

- **(Total revenue)** In 2025, total government revenue is projected to be 651.8 trillion won, an increase of 6.5% (up 39.6 trillion won) compared to 2024, mainly driven by a strong performance in the corporate sector and expectations of a gradual recovery in the domestic and global economy.
- **(Total expenditure)** In 2025, total government expenditure has been set at 677.4 trillion won, an increase of 3.2% (up 20.8 trillion won) compared to the previous year, based on projected revenues and spending needs.

(Trillion won)

| | 2024 Budget (A) | 2025 Budget Proposal (B) | (B)-(A) |
|------------------------------|--------------------|-----------------------------|-------------|
| Total Government Revenue | 612.2 | 651.8 | 39.6 (6.5%) |
| Total Government Expenditure | 656.6 | 677.4 | 20.8 (3.2%) |

- **(Fiscal Balance and Government Debt)** The government aims to bolster fiscal sustainability by improving the fiscal balance and curbing an increase in debt.

In terms of the consolidated fiscal balance, a deficit of 1.0% of GDP is projected, decreasing by 0.8%p from 2024 budget deficit of 1.8%.

The managed fiscal balance is projected to record a deficit of 2.9% of GDP, decreasing by 0.7%p from 2024 deficit of 3.6%.

Government debt is expected to grow by 0.8%p to 48.3% of GDP from that of the 2024 budget, which is 47.4%.

(Trillion won)

| | 2024 Budget (A) | 2025 Budget Proposal (B) | (B)-(A) |
|-----------------------------|--------------------|-----------------------------|---------|
| Consolidated Fiscal Balance | -44.4 | -25.6 | 18.8 |
| (% to GDP) | -1.8 | -1.0 | 0.8%p |
| Managed Fiscal Balance | -91.6 | -77.7 | 13.9 |
| (% to GDP) | -3.6 | -2.9 | 0.7%p |
| Government Debt | 1,195.8 | 1,277.0 | 81.3 |
| (% to GDP) | 47.4 | 48.3 | 0.8%p |

- **(Mid-term fiscal management plan)** The government aims to gradually improve the managed fiscal balance within a deficit of 3% of GDP starting from 2025, and manage the government debt at around 50% of GDP by 2028.

Budgets by Sector

(Trillion won)

| | 2024 Budget (A) | 2025 Budget Proposal (B) | (B)-(A) |
|--|--------------------|-----------------------------|--------------|
| Total Expenditures | 656.6 | 677.4 | 20.8 (3.2%) |
| 1. Health, Welfare, Employment | 237.6 | 249.0 | 11.4 (4.8%) |
| 2. Education | 95.2 | 98.5 | 3.3 (3.5%) |
| 3. Culture, Sports, Tourism | 8.7 | 8.8 | 0.1 (1.3%) |
| 4. Environment | 12.5 | 13.0 | 0.5 (4.0%) |
| 5. R&D | 26.5 | 29.7 | 3.2 (11.8%) |
| 6. Industry, SME, Energy | 28.0 | 28.3 | 0.3 (1.1%) |
| 7. SOC | 26.4 | 25.5 | -0.9 (-3.6%) |
| 8. Agriculture & Forestry, Fishery, Food | 25.4 | 25.9 | 0.5 (1.9%) |
| 9. National defense | 59.4 | 61.6 | 2.2 (3.6%) |
| 10. Diplomacy, Reunification | 7.5 | 7.8 | 0.3 (3.7%) |
| 11. Social order, Safety | 24.4 | 25.1 | 0.7 (2.6%) |
| 12. Public administration, Local governments | 110.5 | 111.3 | 0.8 (0.6%) |

II. The Four Pillars of the 2025 Budget Proposal

1. Welfare for the vulnerable to bring a better future

In order to provide greater protection to recipients of the basic livelihood security program, the annual living allowance will be increased by 1.41 million won compared to last year. As a result, the average annual growth is projected to be 1.66 million won during the past three years, which will be more than three times the average annual growth of 470,000 won over the past five years.

Tailored support for vulnerable groups, including people with disabilities, the elderly, and single-parent families will also be scaled up:

- Greatly expand the number of beneficiaries of employment incentives for people with disabilities from 633 thousand to 756 thousand, with the total budget for disability support raised by 6.6% compared to the previous year.
- Increase the number of senior jobs to a record high of 1.1 million.
- Introduce a 'National Advance Payment System for Child Support' to assist single-parent families struggling due to unpaid child support.

In addition, much effort will be made to buttress the self-reliance of vulnerable population and to build ladders of opportunity in education and housing:

- Provide a new 'Self-sufficiency Success Bonus' worth up to 1.5 million won for recipients of the basic livelihood security program who become self-sufficient through work and graduate from government assistance.
- Double the government's monthly grants from an average of 100 thousand won to 200 thousand won under the 'Hope Savings Account' program, which is designed to help low-income individuals to build assets, ultimately enabling participants to accumulate up to 10.8 million won over three years.
- Boost the supply of public housing by 47 thousand units compared to the previous year, reaching a record high of 252 thousand units, to restore housing stability for low-income households.

2. Shoring up the spread of economic vitality

As a top priority, the government has bolstered customized support for small business owners who are suffering from prolonged high interest rates and inflation.

- Provide a 'Financial Support Package' consisting of three key measures in addition to temporary subsidies of 300 thousand won for delivery and shipping cost for small business owners facing difficult business conditions.
- Assist promising micro enterprises to scale up to small enterprises through the newly introduced 400 billion won scale-up funds; expand the 'New Start Fund' from 30 trillion won to 40 trillion won for those who close their businesses and start anew to back smooth debt restructuring, while providing specialized employment programs tailored to each stage – business closure, job preparation, and job search – to assist in their transition.

Furthermore, the government is committed to fully support the creation of an innovation ecosystem that contributes to boosting potential growth rates.

- Increase the national R&D budget to a historic high of 29.7 trillion won from 29.3 trillion won in 2023, focusing on three major game-changers (AI, semiconductor, biotech) and 12 strategic technologies.
- Introduce a living allowance, a Korean-style stipend, to encourage young researchers to fully dedicate themselves to their research; this will provide monthly payments of at least 800 thousand won for master's students and 1.1 million won for doctoral students.
- Ensure the successful implementation of the 'Semiconductor Ecosystem Support Package' totaling 26 trillion won, which was announced in May, by supplying 4.3 trillion won in low-interest loans next year, along with offering financial support in R&D, and promoting workforce development and commercialization efforts.
- Launch the new 'Jump-up Program,' which offers promising 100 SMEs support including consulting services, vouchers, and financing to scale-up their businesses; double the budget for promoting regional innovation venture funds to further support the growth of regional start-up companies.

3. Structural improvements to prepare for the future

Above all, with an aim of reversing the trend of low birth rates, the government will double down on intensive investments in three key areas most needed in real-life parenting: work-life balance, childcare, and housing.

- Raise parental leave benefits from 1.5 million won to a maximum of 2.5 million won and extend paternity leave from five days to 20 days to ensure that parents have adequate childcare time when they need it; provide 200 thousand won monthly support payment to colleagues who take on additional work during a coworker's leave.
- Increase the income eligibility limit for newborn special loans to 250 million won and supply 30 thousand affordable *jeonse*¹ units at below market value, with an aim to reduce the housing cost burden for families with newborns.

Moreover, assistance for young people's future preparations will not be overlooked.

- Expand the youth work experience program to support 58 thousand participants, an increase of 10 thousand from the previous year, to help young people to secure stable jobs.
- Introduce a three-part package support to address job vacancies, formed with specialized job assistance, job advance incentives, and technical training as part of efforts to resolve employment market mismatches.
- Launch a new 'Youth Housing Dream Loan' that supports up to 80% of the purchase price at low interest rates to promote young people's home ownership.

Innovations in talent, industry, and transportation will be promoted in earnest to realize an era of livable regional areas.

- Launch the RISE program worth 2 trillion won to cultivate region-specific talent starting from next year
- Inject 1 trillion won in regional industry development and 4 trillion won in regional transportation innovation.

4. Building a safe society and strengthening global leadership in diplomacy

Protecting people's lives and property and fulfilling the role of national defense are fundamental responsibilities of the state.

- Expand smart charging stations for electric vehicles from 20 thousand to 100 thousand units to ensure that people can use electric vehicles without safety concerns.
- Reinforce the comprehensive flood and storm damage repair infrastructure by increasing the number of infrastructure sites from 18 to 35 to better prepare for extreme weather events.
- Raise the monthly military pay to 2.05 million won starting next year, as part of efforts to provide appropriate compensation for soldiers fulfilling their national defense duties.

At the same time, the government has been committed to diplomacy and Official Development Assistance (ODA) that promote national interests.

- Assure seamless support to enhance Korea's stature on the international stage and maximize diplomatic outcomes ahead of next year's APEC, set to be hosted in Gyeongju, Korea, for the first time in 20 years; also scale up strategic ODA linked to the overseas expansion of domestic businesses and youth talents.

III. Conclusion

In the 2025 budget proposal, the government has spared no effort in making essential investments to tackle pressing issues related to people's livelihood and the economy. However, the state of the national finances is also challenging, with the national debt exceeding 1,000 trillion won, significantly adding the burden on future generations.

Under these circumstances, the government has taken responsibility by striving to manage the budget efficiently and strategically. With the united efforts of all ministries, the government has boldly reduced conventional and inefficient projects, undertaking expenditure restructuring worth a total of 24 trillion won. This marks the third consecutive year of restructuring over 20 trillion won. In addition, multi-ministry collaborative budgeting has boosted the effectiveness of the budget.

As a result, the 2025 budget proposal has been structured within the scope of the government's ongoing fiscal rules, with a total expenditure growth rate of 3.2% and a managed fiscal balance of -2.9%. The government has also kept the national debt-to-GDP ratio at 48.3%, a slight increase of 0.8%p compared to the previous year.

Through the 2025 budget proposal, the government aims to enhance fiscal efficiency and sustainability while restoring the security of Korean people's lives and diligently preparing for the future of Korea. By doing so, the government resolves to build an era centered on the working and middle classes.

¹ lump-sum deposits with no monthly payments



Economic News Briefing

- Korean Economy Fell by 0.2 % in Q2 2024 (Preliminary Estimate)
- 2024 Conference on G20 Global Economy and Financial Stability
- OECD Forecasts Korean economy to Grow by 2.5% in 2024
- Korea's External debt Decreases to US\$658.3 billion in Q2 2024
- Korean OFDI Posts US\$15.66 Billion in Q2 2024

Korean Economy Fell by 0.2 % in Q2 2024 (Preliminary Estimate)

Korea's real gross domestic product (GDP) fell by 0.2 percent quarter-on-quarter in the second quarter of 2024, according to the Bank of Korea's preliminary estimate released on September 5. The Korean economy rose 2.3 percent year-on-year.



On the production side, the figures for agriculture, forestry and fisheries increased by 4.4 percent quarter-on-quarter. Manufacturing grew by 0.8 percent, led by increased production of transportation equipment. Production of electricity, gas and water supply declined by 1.0 percent. Construction fell by 6.0 percent as building and civil engineering works both decreased. Services remained unchanged as the increase in the sector of transportation and storage was offset by the decreases in the sectors of information and communication, wholesale and retail trade, and accommodation and food services.

On the expenditure side, private consumption declined by 0.2 percent quarter-on-quarter. Construction investment and facility investment fell by 1.7 percent and 1.2 percent, respectively. Meanwhile, exports grew by 1.2 percent owing to higher exports of motor vehicles and chemical products. Imports increased by 1.6 percent, mainly due to increased imports of crude oils and petroleum products.

Real GDP growth by Production and Expenditure

(Percentage change from previous period of seasonally adjusted data; inflation adjusted at 2020 prices)

| | 2022 | 2023 | 2022 | | | | 2023 | | | | 2024 | |
|---|---------------------|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Annual ¹ | Annual ¹ | Q1 ¹ | Q2 ¹ | Q3 ¹ | Q4 ¹ | Q1 ¹ | Q2 ¹ | Q3 ¹ | Q4 ¹ | Q1 ¹ | Q2 ¹ |
| GDP (y-o-y % change of original data) | 2.7 | 1.4 | 0.5 | 0.8 | 0.4 | -0.5 | 0.4 | 0.6 | 0.8 | 0.5 | 1.3 | -0.2 |
| Agriculture, forestry & fisheries | 0.8 | -2.6 | -0.6 | -2.2 | 1.2 | 1.1 | -3.4 | 2.6 | -0.1 | -7.4 | 1.8 | 4.4 |
| Manufacturing | 2.5 | 1.7 | 3.2 | -0.5 | 0.1 | -4.0 | 1.6 | 3.0 | 1.5 | 1.2 | 0.9 | 0.8 |
| Electricity, gas & water supply | 3.5 | -2.9 | 2.5 | 2.0 | -1.1 | -0.1 | -6.8 | 3.1 | 3.1 | 1.8 | -0.1 | -1.0 |
| Construction | 0.9 | 3.1 | -1.4 | -0.4 | 2.2 | 2.7 | 1.2 | -2.7 | 3.7 | -3.5 | 5.5 | -6.0 |
| Services² | 3.8 | 2.1 | -0.2 | 1.8 | 0.5 | 1.1 | 0.2 | 0.1 | 0.5 | 0.4 | 0.9 | 0.0 |
| Private consumption | 4.2 | 1.8 | -1.0 | 2.9 | 1.3 | -0.1 | 0.5 | -0.3 | 0.1 | 0.4 | 0.7 | -0.2 |
| Government spending | 4.0 | 1.3 | 0.1 | 0.9 | 0.2 | 2.4 | 0.4 | -2.1 | 0.3 | 0.5 | 0.8 | 0.6 |
| Construction investment | -3.5 | 1.5 | -3.3 | 0.0 | -0.2 | 1.1 | 0.6 | 0.2 | 1.9 | -3.8 | 3.3 | -1.7 |
| Facility investment | -0.3 | 1.1 | -1.5 | 1.4 | 5.7 | -0.8 | -1.4 | 0.4 | -2.0 | 2.8 | -2.0 | -1.2 |
| Intellectual property investment | 7.8 | 1.7 | 2.6 | -0.3 | 5.0 | -2.2 | -0.2 | 1.0 | 0.8 | -0.2 | 0.8 | -0.9 |
| Exports | 3.9 | 3.6 | 3.0 | -1.2 | -0.3 | -3.7 | 4.2 | 1.1 | 1.9 | 3.9 | 1.8 | 1.2 |
| Imports | 4.2 | 3.5 | -1.4 | 1.4 | 4.1 | -2.5 | 3.9 | -1.8 | 0.3 | 1.6 | -0.4 | 1.6 |

¹ Preliminary estimate.

² Wholesale & retail trade; accommodation & food services; transportation & storage; finance & insurance; real estate; information & communication; business activities; public administration, defense & social security; education; human health & social work; and cultural & other services.

2024 Conference on G20 Global Economy and Financial Stability

The Ministry of Economy and Finance (MOEF), the Korea Development Institute (KDI), and the Bank of Korea (BOK) jointly hosted the “2024 G20 Global Economy and Financial Stability Conference” from September 3 to 4 in Seoul.

The G20 Financial Stability Conference, which first began in 2013, marks its 10th anniversary this year. Over the years, the conference has played a crucial role in assessing a variety of risks facing the global economy, ranging from the U.S. Federal Reserve’s tapering in 2013 to the supply shocks in 2023. It has brought together G20 governments, central banks, international organizations, and scholars from around the world, providing timely policy recommendations to the G20 International Financial Architecture Working Group (IFA WG)¹.



Notably, while previous discussions had focused on financial stability, this year’s conference conducted a comprehensive review of major risk factors in the global economy and financial markets and sought various ways to enhance financial stability in light of a significant turning point for the global economy.

The conference was attended by approximately 460 key figures from both domestic and international spheres. It began with opening remarks from First Vice Minister of MOEF and the President of KDI, followed by a keynote speech from President of the Center for Global Development. More than 30 prominent speakers delivered presentations and participated in discussions across five different sessions.

Throughout the five sessions, discussions centered on major global issues including global shocks and supply chain disruptions, uncertainties in monetary policy, and the impact of AI.

In the first session, “Economic Policy in Response to Global Shocks”, presenters and panelists identified recent global risk factors such as rising debt, increasing fragmentation and protectionism, slowing growth, and climate change. They also proposed collaborative measures, including improving access to the financial system, advocating for re-globalization rather than de-globalization, and considering the sustainability of both the environment and fiscal policies.

In the second session, “Trade and Investment Cooperation Amid Global Supply Chain Disruptions”, participants reached a consensus that the practical benefits of major economies’ supply chain restructuring, such as decoupling, might not be significant. They proposed restoring rules-based multilateral trade and the WTO dispute resolution mechanisms, and discussed strategies to counter foreign protectionist policies, including expanding reserves and leveraging free trade agreements.

In the third session, “Uncertainty in Monetary Policy and Global Financial Stability”, the discussion centered on addressing the debt issues of vulnerable countries in the context of rising debt levels, and prolonged high interest rates, and seeking response measures such as global debt restructuring initiatives, the establishment of fiscal frameworks at the national level, and the prioritization of expenditures. In addition, they exchanged views on the changing patterns of capital flows and possible responses, particularly in light of the recent intensification of policy adjustments by major economies and the expansion of trade and investment restrictions.

¹ A working group focused on building a resilient international financial system and ensuring financial stability.

In the fourth session, “Digital Finance, AI, and Financial Stability”, the participants discussed the financial innovations and structural changes brought about by the rise of tokenization and AI, as well as concerns over escalating vulnerabilities. They also addressed the growing cyber risks in the financial sector and discussed the need for establishing institutional frameworks at the national level and shore up capabilities at the corporate level to effectively respond to these challenges.

In the last session, “A New Bretton Woods for a New World”, the participants acknowledged that the current era, characterized by multipolarity, complexity, and interconnectivity, requires different solutions compared to the original Bretton Woods period. They underscored the importance of trade as a foundation for interconnectedness, particularly in the face of complex challenges such as fragmentation, climate change, and rising inequality, while discussing the future direction of international order and cooperative measures, particularly in supporting climate change initiatives and enhancing the capabilities of vulnerable countries.

OECD Forecasts Korean economy to Grow by 2.5% in 2024

The Organization for Economic Cooperation and Development (OECD) announced its outlook for the Korean economy on September 25. It expects the Korean economy to grow 2.5% this year and 2.2% next year. The headline inflation is forecasted at 2.4% this year and 2.0% next year.



The OECD projected Korea's economic growth to be stable, driven by strong exports due to global demand for semiconductors. The OECD's growth outlook for this year is estimated to be at a similar level with the forecasts of the Korean government at 2.6%, the Korea Development Institute at 2.5% the Bank of Korea at 2.4%, and the Asia Development Bank at 2.5%.

Korea's External debt Decreases to US\$658.3 billion in Q2 2024

Korea's external debt amounted to \$658.3 billion as of the second quarter of 2024, falling by \$9.2 billion from the previous quarter of \$667.5 billion.

Both the ratio of short-term external debt to total external debt and the ratio of short-term external debt to total reserves stayed below the average of the preceding five quarters, although they have slightly increased from the previous quarter. From the previous quarter, net external assets fell by US \$3.1 billion to US \$381.5 billion.

Korean OFDI Posts US\$15.66 Billion in Q2 2024

In the second quarter of 2024, Korea's Outbound Foreign Direct Investment (OFDI) amounted to \$15.66 billion, reflecting a sluggish recovery in investment sentiment due to uncertainties surrounding global economic recovery, prolonged high-interest rates, and ongoing global conflicts. However, by region, North America continued to be a major destination for investments in innovation industries such as robotics, mobility, and secondary batteries. In the mining sector, investments saw an increase compared to the same period last year, driven by rising demand for resources.



Korean OFDI

| | 2022 | | | | 2023 | | | | 2024 | |
|--------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| Amount invested (US \$billion) | 28.25 | 19.85 | 18.48 | 15.10 | 17.70 | 16.10 | 15.09 | 16.28 | 16.37 | 15.66 |
| Y-o-y change (%) | 147.9 | 16.6 | 5.2 | -51.2 | -37.3 | -18.9 | -18.4 | 7.8 | -7.5 | -2.7 |

Korean OFDI by industry

| | Finance and insurance | manufacturing | Mining | Information and Communication | Real estate and renting |
|------------------------|-----------------------|---------------|--------|-------------------------------|-------------------------|
| Q2 2023 (US \$billion) | 64.5 | 40.3 | 11.2 | 9.3 | 12.3 |
| Q2 2024 (US \$billion) | 53.3 | 36.1 | 16.0 | 13.2 | 11.4 |
| Y-o-y change (%) | -17.4 | -10.5 | 42.9 | 41.9 | -7.7 |

Korean OFDI by country

| | U.S. | Cayman Islands | Canada | Luxemburg | Vietnam |
|------------------------|------|----------------|--------|-----------|---------|
| Q2 2023 (US \$billion) | 64.2 | 14.7 | 12.2 | 11.3 | 8.9 |
| Q2 2024 (US \$billion) | 59.6 | 11.1 | 10.4 | 9.9 | 7.4 |
| Y-o-y change (%) | -7.2 | -24.0 | -15.2 | -12.8 | -16.2 |

Korean OFDI by region

| | North America | Asia | Europe | Latin America | Oceania | Africa | Middle East |
|------------------------|---------------|------|--------|---------------|---------|--------|-------------|
| Q2 2023 (US \$billion) | 76.5 | 35.1 | 23.8 | 20.7 | 3.5 | 1.0 | 0.4 |
| Q2 2024 (US \$billion) | 70.0 | 33.0 | 21.0 | 20.8 | 8.8 | 1.7 | 1.2 |
| Y-o-y change (%) | -8.5 | -6.1 | -11.5 | 0.3 | 153.4 | 76.0 | 181.7 |

Related Websites



Ministry of Economy and Finance
<https://english.moef.go.kr/>



Korea Development Institute (KDI)
<https://www.kdi.re.kr/eng/>



Ministry of Trade, Industry and Energy
<https://english.motie.go.kr/www/main.do>



Bank of Korea
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Statistics Korea
<https://kostat.go.kr/anse/>



Korea Customs Service
<https://www.customs.go.kr/english/main.do>



Ministry of Employment and Labor
<https://www.moel.go.kr/english>



Financial Supervisory Service
<https://www.fss.or.kr/eng/main/main.do?menuNo=400000>



Ministry of Land, Infrastructure and Transport
<https://www.molit.go.kr/english/intro.do>



Korea Real Estate Board
<https://www.reb.or.kr/rebEng/main.do>



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Republic of Korea

Economic Bulletin

October 2024 Vol.46 No.10

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