

**Under embargo until 12:00 noon. Bangkok Time, Monday, 1 May 2017**

## **REPUBLIC OF KOREA**

GDP (current US\$, billions):	\$1,377.87	Population (thousands):	50,503
Share of GDP in developing Asia-Pacific:	7.5%	GDP per capita (current US\$):	\$27,396.60
Share of GDP in East and North-East Asia:	8.3%	Average inflation (2016)	1.0%

- The economy of the Republic of Korea maintained a stable growth rate of 2.8 per cent in 2016. Relatively solid performance in key industries, such as construction of residential buildings and investment in intellectual property, drove the economy.
- In contrast, the shipping and shipbuilding industry is undergoing restructuring, while weak automotive production was held back even more by labour strikes.
- From the demand side, private consumption benefited from low inflation and interest rates, relatively low unemployment and tax reductions, although the enforcement of the country's anti-graft law dampened spending on high-value gifts.
- As an export oriented economy, overall economic growth in past years has been clouded by prolonged weakness in global trade.
- Forecasts are for growth to remain moderate at 2.5-2.7 per cent in 2017 and 2018.
- The export outlook is fragile due to increased trade protectionism and trade-related disputes with China.
- Consumer spending would continue to benefit from favourable job market conditions and low inflation, its strength is being restrained by high and rising household debt, the diminishing positive effect of fiscal measures and a decline in manufacturing employment.
- To contain household debt, measures are in place for stricter screening of loan applications and borrowers' creditworthiness in financial institutions.
- As with other subregional peers, a downside risk includes possible financial volatility as a result of increasing economic uncertainty in developed markets. Prospects of a buffer for the Republic of Korea are limited by the maturing currency swap agreements with China and suspended talks with Japan.
- To maintain the competitive edge of its leading industries, the Government has introduced industrial restructuring, support schemes for the participation of small and medium-sized enterprises in global supply chain and various deregulation measures.
- On the social front, the issue of income inequality due to labour market dualism and rising youth unemployment merits attention. Moreover, such programmes as reverse mortgages and diversified income streams for elderly citizens could support future private consumption while addressing the issue of population ageing.