

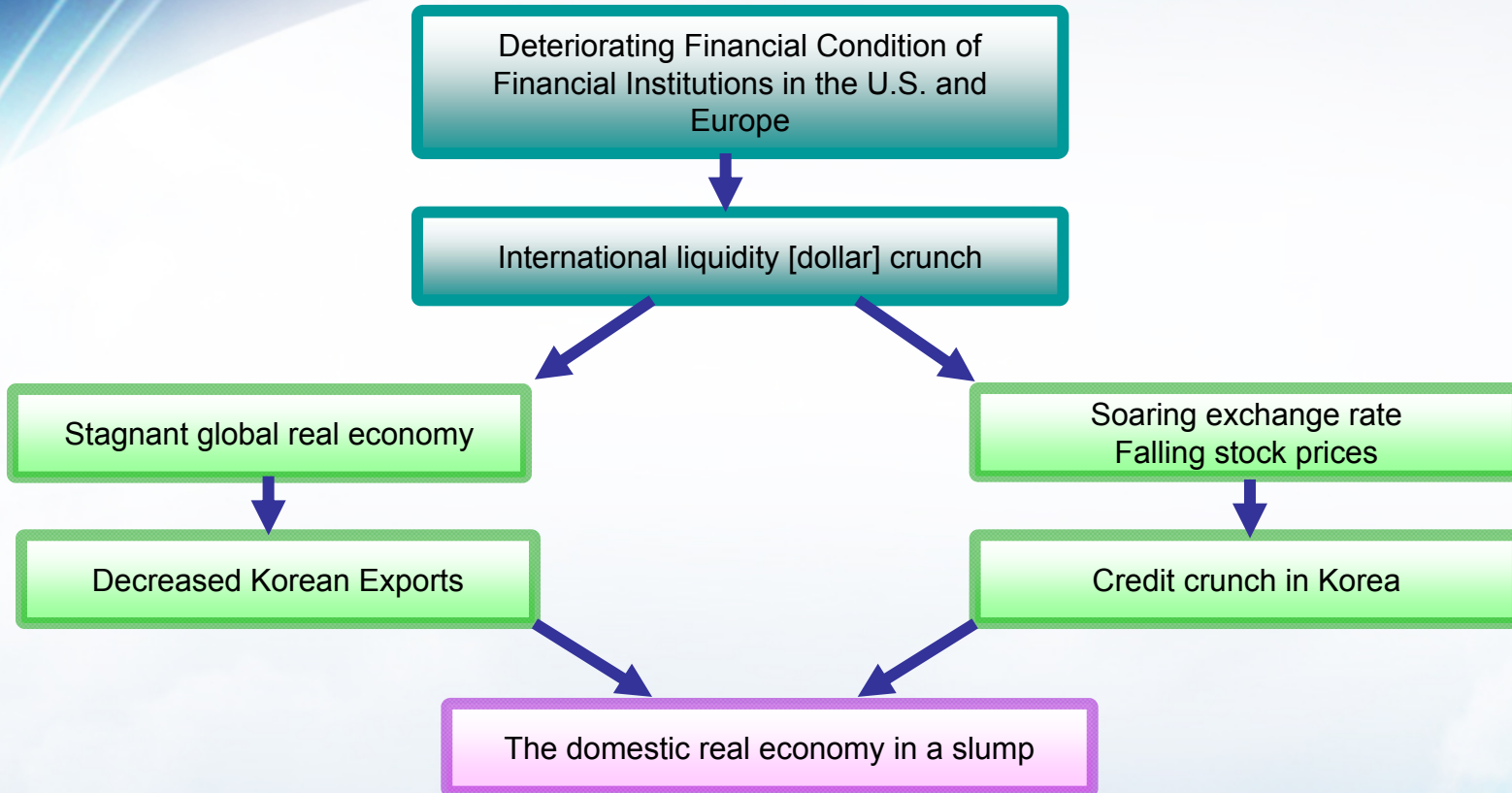


Korean Economy At the Crossroads:

Outlook for the Korean Economy in 2009

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The Effect of the Global Financial Crisis on the Korean Economy



✓ **Unprecedented Globally**

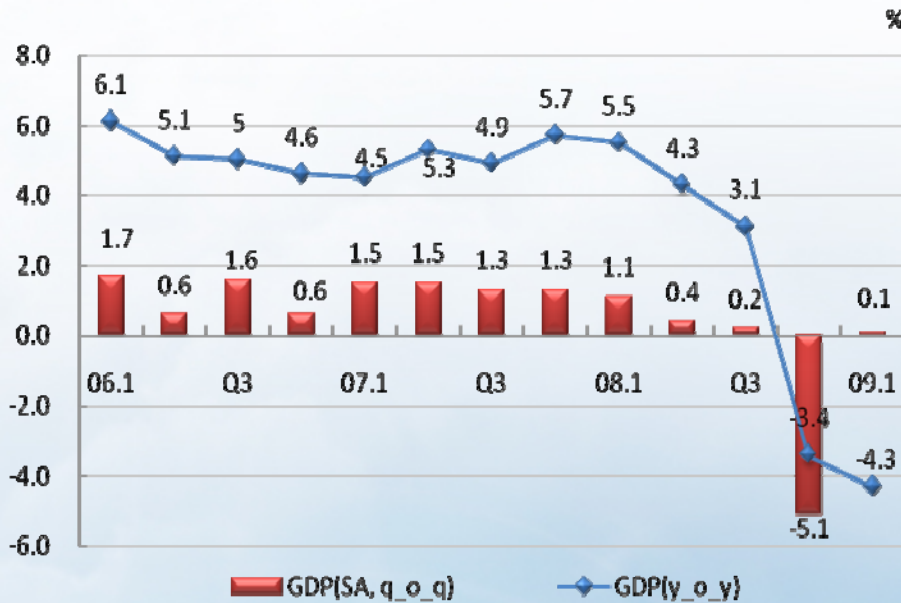
✓ **'Precedented' in Korea**

Recent Developments

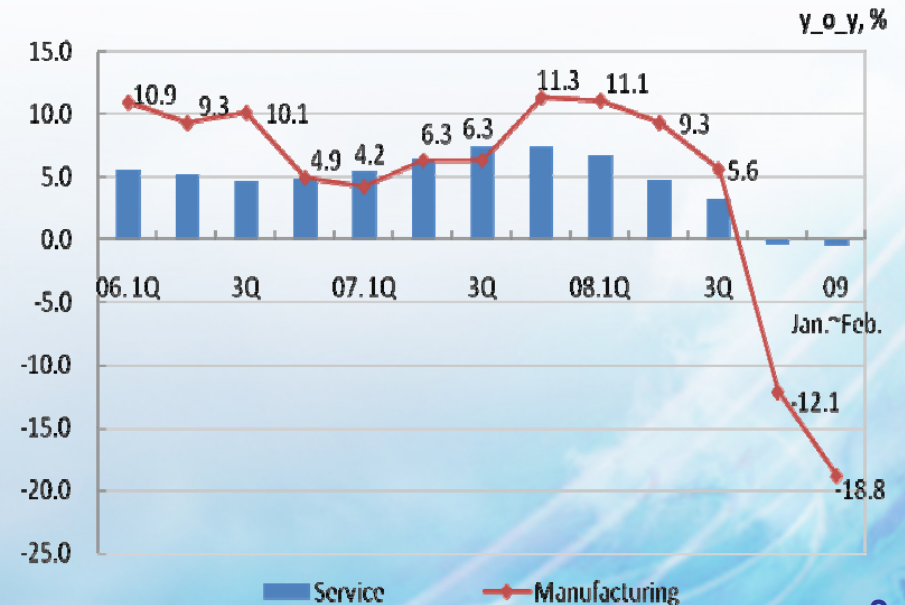
□ Sharpest growth decline since the Foreign Exchange Crisis

- Real GDP (y_o_y,%) : -3.4%(4Q '08) → -4.3%(1Q '09)
- Manufacturing output(y_o_y,%) : -12.1%(4Q '08) → -18.8%(Jan.~Feb. '09)
- Service output (y_o_y,%) : -0.4%(4Q '08) → -0.5%(Jan.~Feb. '09)

GDP Growth



Industrial Production



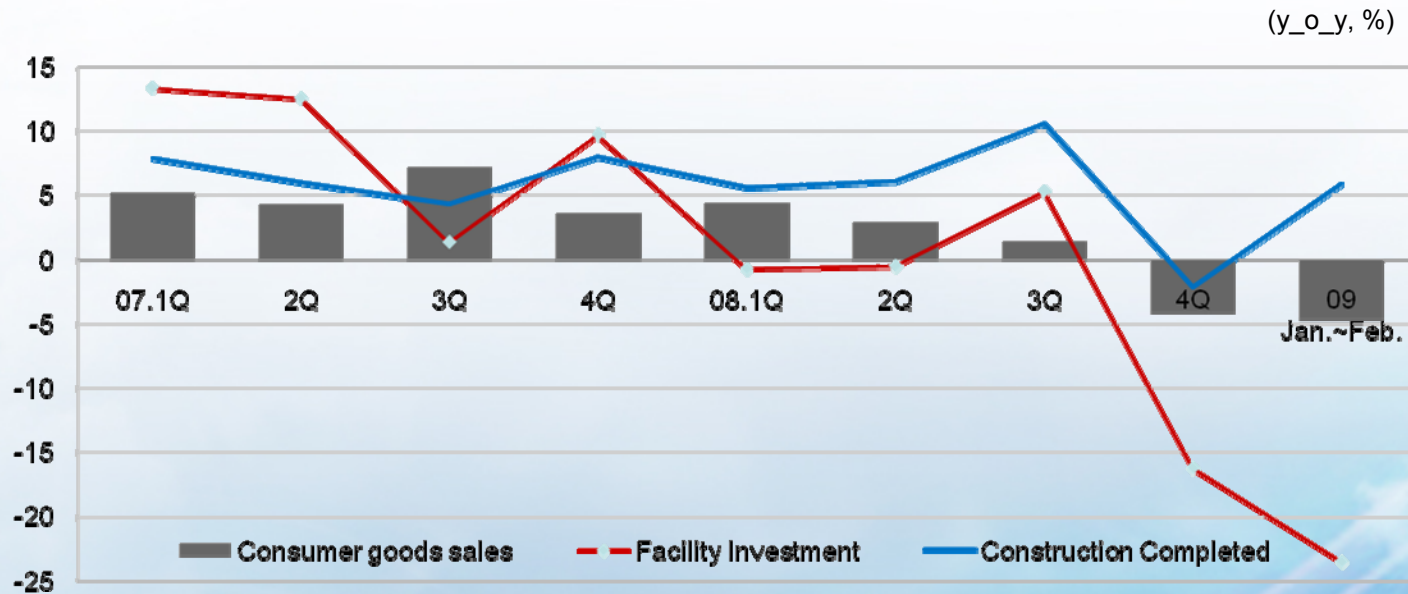
❑ **Serious slowdown in consumption and Facility investment**

- Consumer goods sales (y_o_y,%) : -4.2%(4Q '08) → -4.7%(Jan.~Feb. '09)
- Facility Investment (y_o_y,%) : -16.2%(4Q '08) → -23.5%(1Q '09)

❑ **Increase in Construction investment due to SOC investment and early implementation of budget**

- Construction completed(y_o_y,%) : -2.2%(4Q '08) → 5.9%(Jan.~Feb. '09)

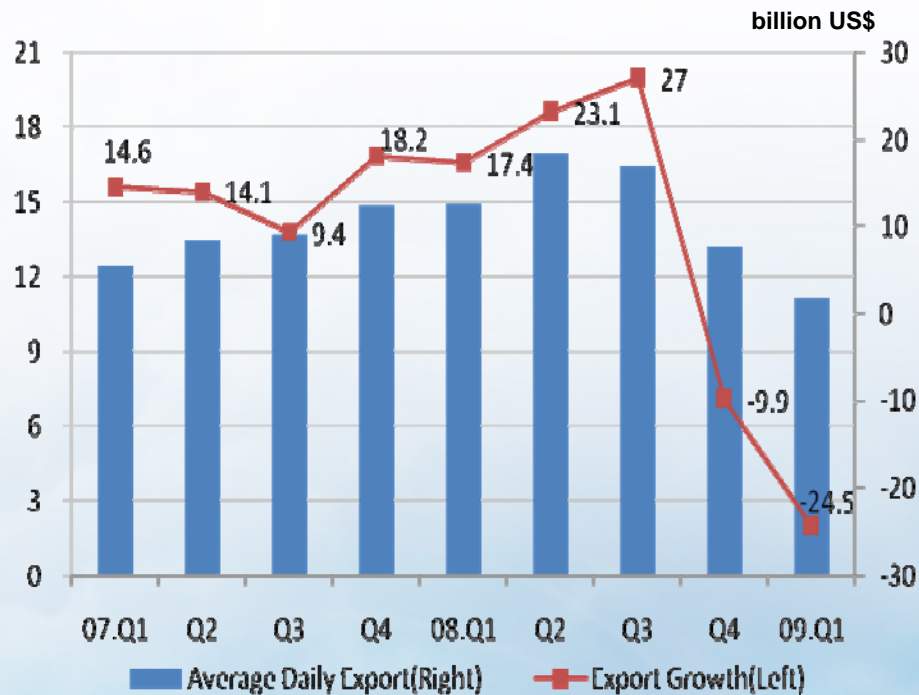
Consumption and Investment



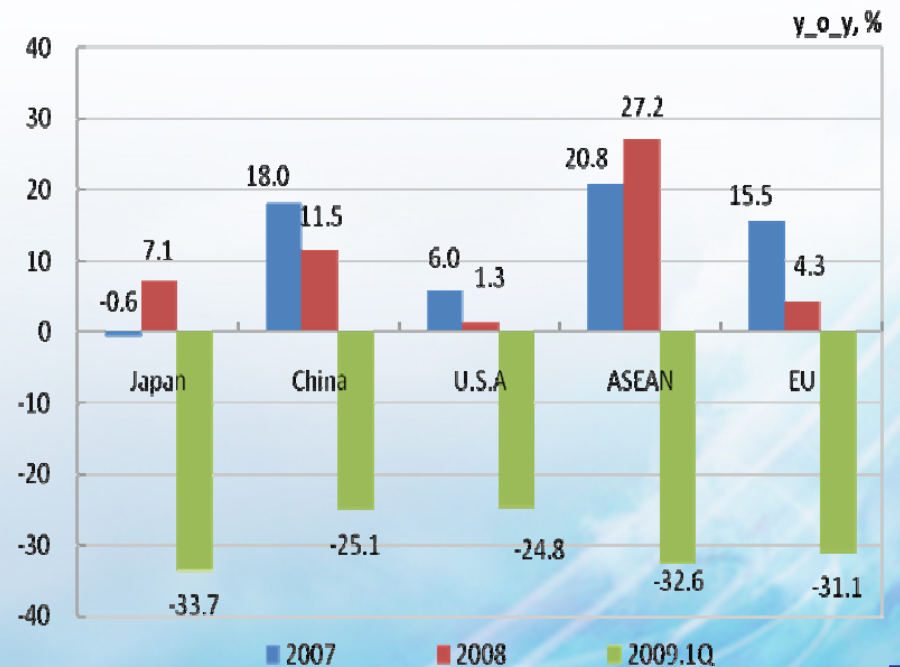
❑ Export shows severe contractions

- Export s(y-o-y,%): -9.9%(4Q '08) → -24.5%(1Q '09)
- Average Daily Export Amount: \$13.2bil. (4Q '08) → \$11.1bil. (1Q '09)
- By regional category, exports to most **destinations** fell between Jan. 1 and Mar. 20.

Exports

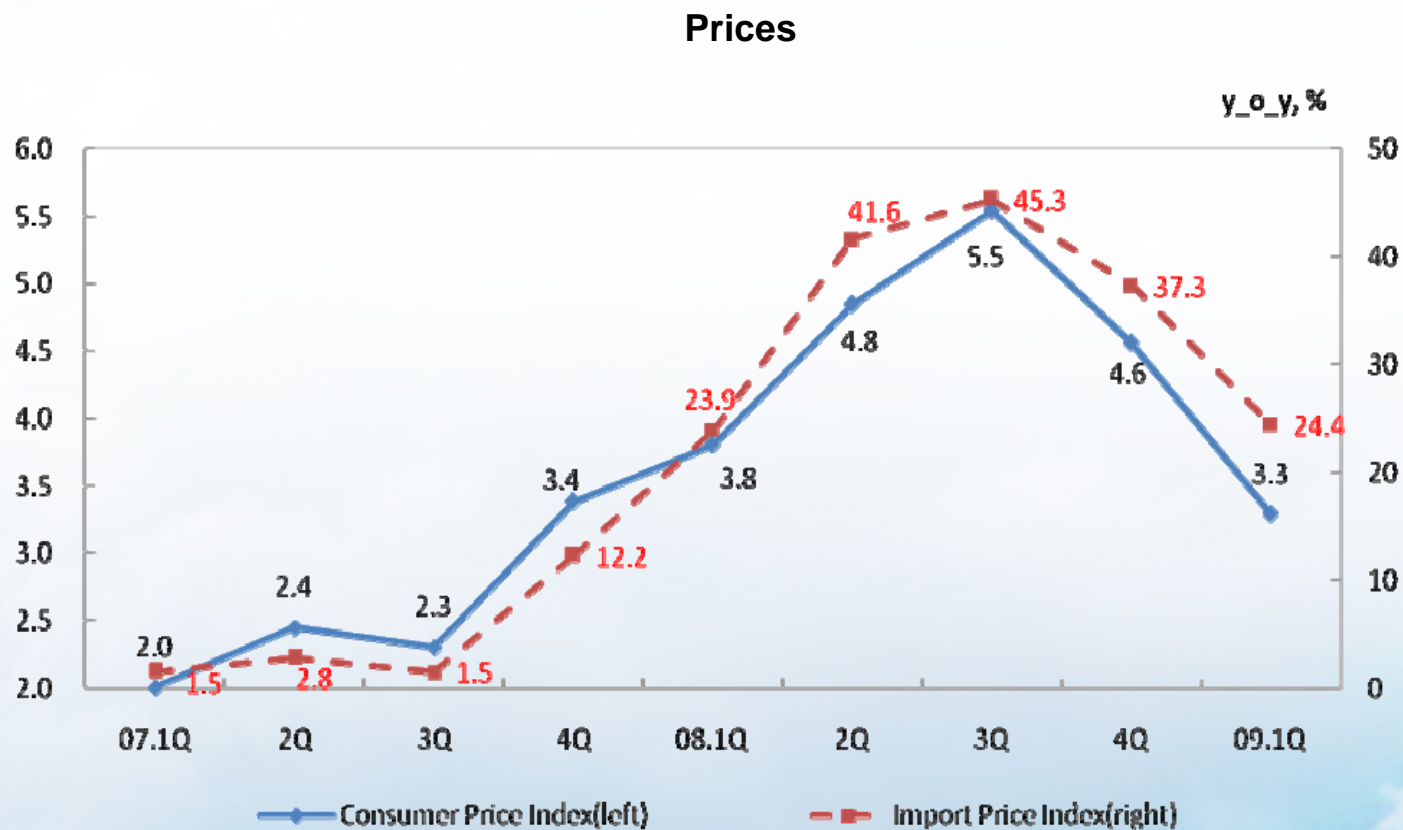


Exports by Region



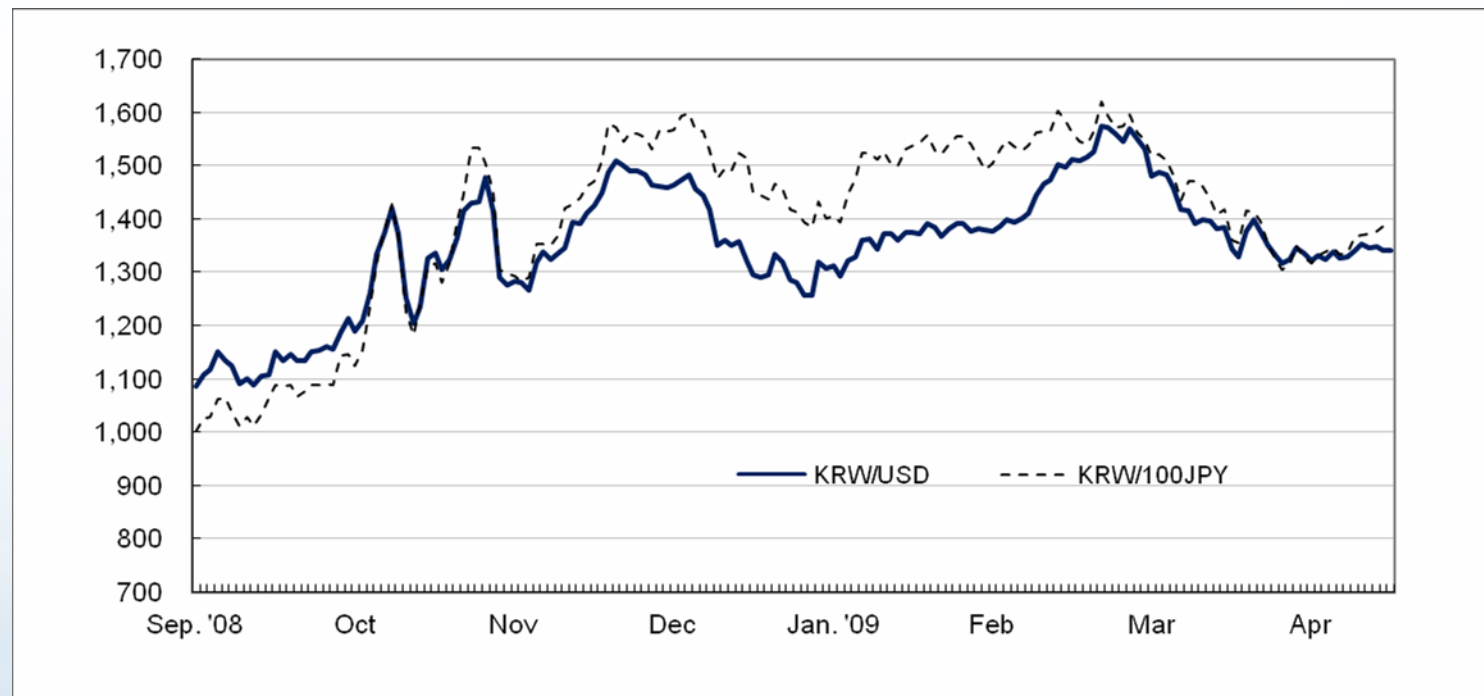
□ Inflation continues to decline

- CPI (y_o_y,%): 4.6%(4Q '08) → 3.3%(1Q '09)
- Due to economic stagnation and stabilization of international oil prices



- ❑ **Won/Dollar Exchange rate has settled in the mid- 1,300 since early March**
 - Won/Dollar Ex rate: 1,573.6(Mar. 3 '09) → 1,340.4(Apr. 28 '09)
 - **Thanks to** global stock market recovery, a current account surplus and foreign investors' shift to net-buyer of Korean shares

Exchange Rates



Outlook for the Korean Economy in 2009 (KERI)

Negative growth for the year

- ▣ **Average annual growth projection for 2009 : -3.7%**
 - first half -5.3%; second half -2.1%
- ▣ **'U'shaped recovery, rather than 'V'shaped one**
 - signs of recovery in 2010 expected
- ▣ **Stability in the global financial market and the pace of the global economic recovery are crucial.**

Inflation

- ▣ **4.7% in 2008 ⇒ 2.4% in 2009**
- ▣ **The global economic downturn likely to stabilize prices of crude oil and raw materials**

Outlook for the Korean Economy in 2009 (KERI)

Current account

- ▣ **\$6.4 billion deficit in 2008 ⇒ \$13 billion surplus in 2009**
- ▣ **Expected slowdown in exports < decrease in imports**

The won-dollar exchange rate

- ▣ **First half: 1,380 won; second half: 1,220 won**
- ▣ **Demand for dollars likely to continue under unstable global financial environment**

Outlooks for 2009 from Major Economic Forecasters

	Growth rate(%)		
	Annual	First half	Second half
IMF (09.04.22)	-4.0		
KERI(09.3.30)	-3.7*	-5.3	-2.1
UBS (09.04.24)	-3.4	-	-
JP Morgan (09.02.21)	-2.5		
SERI (09.02.16)	-2.4	-3.9	-1.0
BOK (09.04.10)	-2.4	-4.2	-0.6
LGERI(09.3.18)	-2.1	-4.1	-0.1
KDI (09.01.21)	0.7	-2.6	3.8
FEI (08.12.22)	1.7	0.2	3.2
OECD (08.11.25)	2.7	-	-

(* In case of running a supplementary budget of 28.9 trillion won : -2.6%)

Policy Priorities

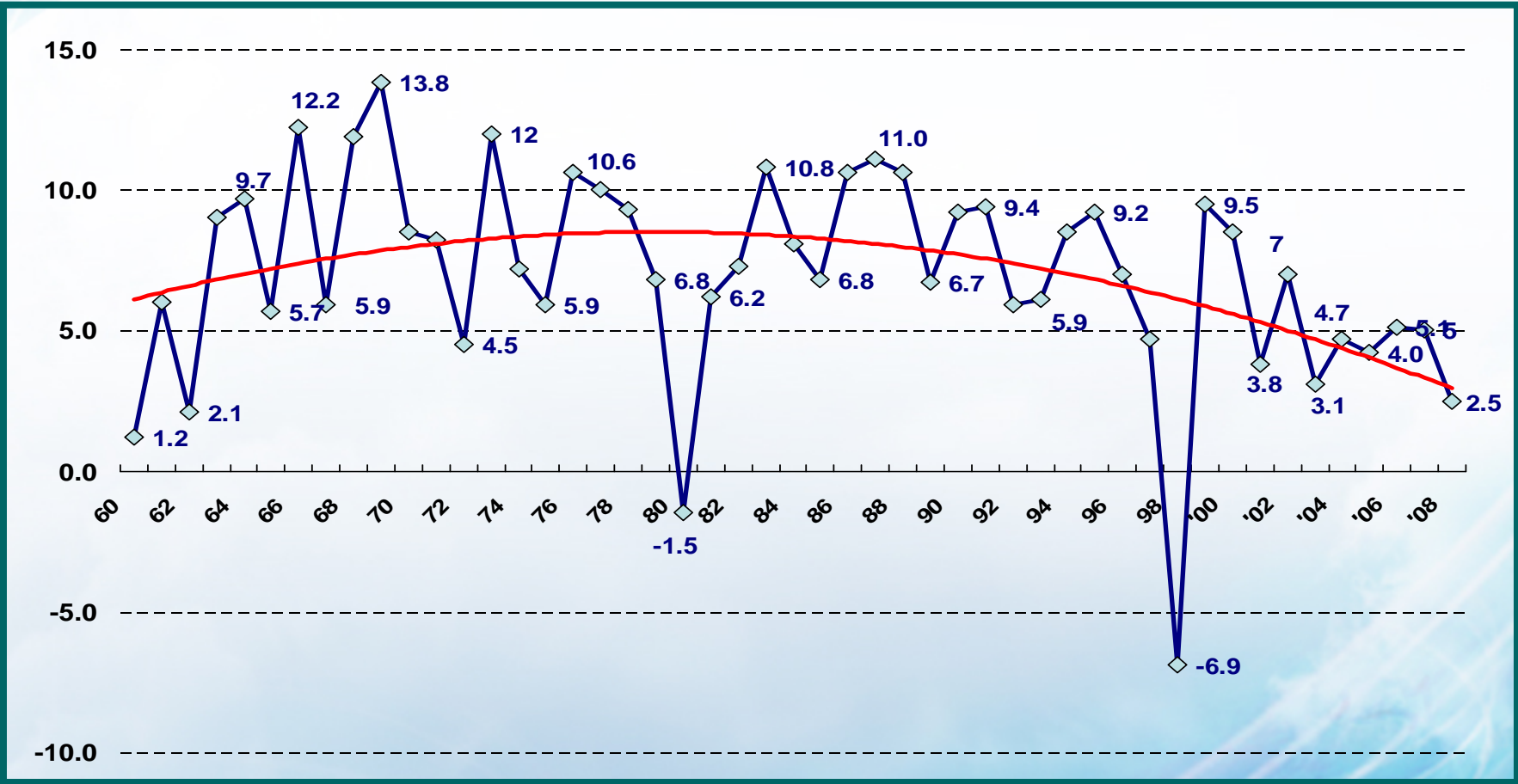
Short-term: Easing Financial Crunch

Mid-term: Slowing down economic downfall and preserving jobs

Long-term: Enhancing growth potential

Economic Growth Rates of Korea and Their Long-term Trend

Potential growth rates on the decrease since the 1990s



Recurring Economic Crisis

“Unprecedented Economic Crisis”?

- ▣ The Korean economy experienced negative growth twice since the 1970s
- ▣ The second oil crisis in 1980 and the 1998 Asian financial crisis
- ▣ The attributes of both crisis exist in the current crisis.

Korean economy has a great potential in the coming years.

- ▣ Current situation differs from the crisis a decade ago.
- ▣ In 1998: Poorly managed large companies and banks, Crisis limited to Asia, Involuntary restructuring imposed by the IMF
- ▣ In 2008: Financially healthy large companies and banks, Crisis on a global scale, Voluntary restructuring
- ▣ The economy expected to pick up from the end of 2009: a window of opportunity for Korean companies