

PRESS RELEASE

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Recent Economic Developments

<Summary>

The Korean economy has continued to grow at around the level of its potential growth rate. Exports have sustained their favorable movements, on the back of the ongoing growth in the global economy, and private consumption is also maintaining moderate growth. However, the phases of adjustment in facilities and construction investment have persisted.

Going forward domestic economic growth is expected to be broadly consistent with the path projected in October, and to sustain a rate at its potential level. Factors such as the government's policies to enhance domestic demand and expansions in investment expenditures by major conglomerates are among the potential upside risks to growth, while deepening of the global trade disputes, increased global financial market volatility in line with any changes in the monetary policies of major countries, a delayed improvement in employment conditions, and a worsening of consumer sentiment are some of the downside ones. Consumer price inflation is expected to remain at around its target level for some time, and then fall slightly and remain in the mid- to upper-1% range. It is forecast that the current account will remain in surplus.

FOREIGN ECONOMIC CONDITIONS

1. The U.S economy has maintained its trend of solid growth, driven by consumption in line with the robust employment conditions. The trend of growth in the euro area has weakened, affected by a temporary drop in industrial production due to delays in the registration of cars following the implementation of new vehicle emissions standards. The growth in China has slowed slightly, as the rates of increase in investment and consumption have fallen. The Japanese economy has slowed, with investment and exports having declined owing to temporary factors such as natural disasters.

Table 1. Economic Indicators in Select Economies

(period-on-period changes, percent)

| | | 2017 | | | 2018 | | | | | |
|--------------------|---|-------|------|-----|------|------|------|------|------|------------------|
| | | Year | Q3 | Q4 | Q1 | Q2 | Q3 | Jul | Aug | Sep ¹ |
| United States | GDP (seasonally adjusted annual rates) | 2.2 | 2.8 | 2.3 | 2.2 | 4.2 | 3.5 | – | – | – |
| | Industrial production | 1.6 | -0.4 | 1.9 | 0.6 | 1.3 | 1.2 | 0.4 | 0.8 | 0.2[0.1] |
| | Total retail sales | 4.3 | 1.1 | 2.3 | 0.4 | 1.8 | 1.1 | 0.6 | -0.1 | -0.1[0.8] |
| | Manufacturers' new orders (non-defense capital goods) | 6.4 | 3.3 | 0.9 | 0.4 | 2.6 | 2.0 | 1.5 | -0.2 | -0.5[0.0] |
| | Existing home sales median price ² | 5.7 | 5.6 | 5.4 | 5.7 | 4.7 | 4.3 | 4.3 | 4.9 | 3.8[3.8] |
| | Employees ³ (thousands) | 2,272 | 553 | 556 | 632 | 634 | 623 | 165 | 286 | 118[250] |
| Euro Area | GDP | 2.4 | 0.7 | 0.7 | 0.4 | 0.4 | 0.2 | – | – | – |
| | Industrial production | 3.0 | 1.5 | 1.3 | -0.7 | 0.1 | -0.1 | -0.8 | 1.1 | -0.3 |
| | Retail trade | 2.3 | 0.4 | 0.4 | 0.1 | 0.9 | -0.1 | -0.6 | 0.3 | 0.0 |
| | Capital goods for new orders | 7.1 | 3.4 | 2.3 | -0.5 | -1.4 | 0.1 | -0.9 | 2.9 | 0.0 |
| | Exports (FOB) ⁴ | 7.1 | 0.3 | 2.7 | -0.2 | 0.9 | 1.2 | -0.9 | 2.1 | -1.6 |
| | Unemployment rate | 9.1 | 9.0 | 8.7 | 8.5 | 8.3 | 8.1 | 8.1 | 8.1 | 8.1 |
| China ² | GDP | 6.9 | 6.8 | 6.8 | 6.8 | 6.7 | 6.5 | – | – | – |
| | Industrial production | 6.6 | 6.3 | 6.2 | 6.8 | 6.6 | 6.0 | 6.0 | 6.1 | 5.8[5.9] |
| | Total retail sales of consumer goods | 10.2 | 10.3 | 9.9 | 9.8 | 9.0 | 9.0 | 8.8 | 9.0 | 9.2[8.6] |
| | Investment in fixed assets ⁴ | 7.2 | 7.5 | 7.2 | 7.5 | 6.0 | 5.4 | 5.5 | 5.3 | 5.4[5.7] |
| | Exports (FOB) | 7.9 | 6.4 | 9.6 | 13.7 | 11.4 | 11.9 | 11.6 | 9.6 | 14.4[15.6] |
| Japan | GDP | 1.7 | 0.7 | 0.2 | -0.3 | 0.8 | -0.3 | – | – | – |
| | Industrial production | 3.1 | 0.0 | 1.2 | -1.1 | 1.2 | -1.3 | -0.4 | 0.3 | -0.4[2.9] |
| | Retail sales | 1.9 | 0.1 | 1.3 | -0.6 | 0.4 | 1.1 | 0.1 | 0.9 | 0.1[1.2] |
| | Machinery orders (private sector) | -1.1 | 2.8 | 0.3 | 3.3 | 2.2 | 0.9 | 11.0 | 6.8 | -18.3 |
| | Exports (FOB) | 11.8 | 3.8 | 2.7 | -1.8 | 2.8 | 0.1 | 1.0 | 0.5 | -2.3[4.3] |

Notes: 1. Figures in [] are for October 2018.
3. Changes in total non-farm payrolls.

2. Year-on-year rates of change.
4. Excluding intra-regional trade.

2. The international oil price (Dubai oil basis) has fallen to the 60 dollars-to-the barrel level since late November, on the effects for example of increased supply and of concerns about a slowdown in global demand.

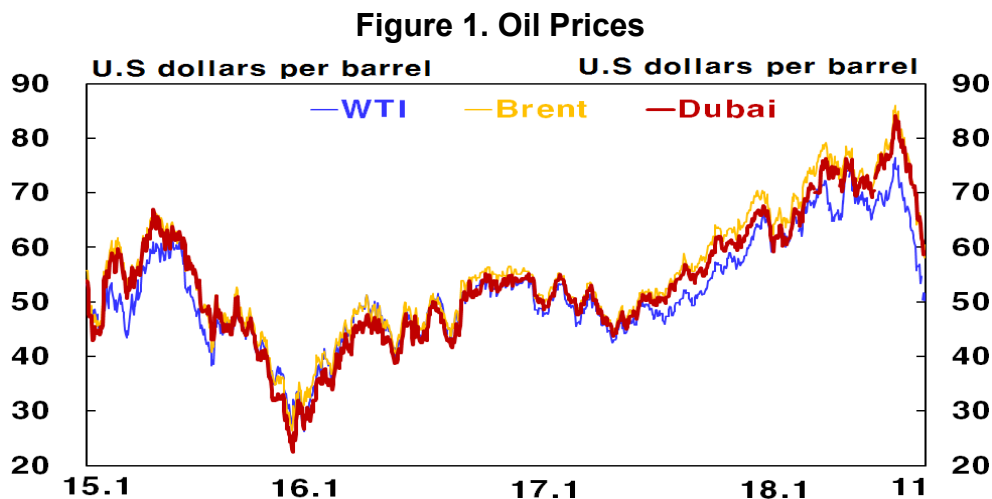


Table 2. Dubai, Brent and WTI Oil Prices

(average prices, U.S. dollars per barrel)

| | 2015 | 2016 | 2017 | August | September | 2018 | | |
|--------------|------|------|------|--------|-----------|---------|--------------|--------------|
| | | | | | | October | November | |
| | | | | | | | 11.1~28 | 11.28 |
| Dubai | 51.1 | 41.4 | 53.0 | 72.1 | 77.0 | 79.0 | 65.9 (-17.1) | 59.3 <-20.8> |
| Brent | 52.3 | 44.1 | 54.4 | 73.1 | 78.9 | 80.5 | 65.8 (-19.0) | 58.1 <-21.4> |
| WTI | 48.8 | 43.5 | 50.9 | 67.9 | 70.1 | 70.8 | 57.1 (-20.1) | 50.3 <-23.0> |

Note: Figures in () are the percentage changes relative to the previous month, and figures in < > the percentage changes relative to the last day of the previous month.

Source: Bloomberg

In the nonfuel commodity markets, grain prices rose month-on-month in November due to concerns about reduced supplies in consequence of deteriorating weather conditions, but nonferrous metals prices fell in line with slowdowns in Chinese economic indicators.

► S&P GSCI Grain prices: 1.4% in October → 0.7% in November 1-28
(MoM % changes in monthly averages)

► LME X Non-ferrous metals prices: 2.0% in October → -2.5% in November 1-28
(MoM % changes in monthly averages)

DOMESTIC ECONOMIC CONDITIONS

3. Retail sales expanded by 0.2 percent month-on-month in October, driven by increased sales of durables and quasi-durables while sales of non-durables decreased. Facilities investment expanded by 1.9 percent despite a reduced amount of investment in machinery, driven by growing investment in transport equipment. Construction investment recorded a 2.2 percent month-on-month decline, as both investment for building construction and civil engineering expenditures contracted.
4. Exports (FOB, \$54.9 billion) were 22.7 percent higher in October than their year-earlier level, affected especially by increases in exports of semi-conductors, petroleum products and machinery. Looking at the current account, its surplus narrowed in September.

Table 3. Domestic Demand and External Trade

(S.A., period-on-period changes, percent)

| | 2016 | 2017 | | | | 2018 | | | | | |
|--|-------|-------|-------|------|-------|-------|-------|-----------------|-------|------------------|------------------|
| | Year | Year | Sep | Oct | Q4 | Q1 | Q2 | Q3 ^P | Aug | Sep ^P | Oct ^P |
| Retail sales value | 3.9 | 1.9 | 3.4 | -3.2 | 0.9 | 3.0 | 0.7 | -0.6 | 0.0 | -2.1 | 0.2 |
| (year-on-year) | - | - | 6.9 | -0.5 | 2.1 | 5.0 | 4.7 | 3.8 | 5.7 | 0.4 | 5.0 |
| Facilities investment index | -1.3 | 14.1 | 3.3 | -7.2 | -1.7 | 8.4 | -11.0 | -6.1 | -1.6 | 3.3 | 1.9 |
| (year-on-year) | - | - | 25.0 | -3.9 | 2.0 | 9.4 | -5.9 | -13.6 | -11.3 | -19.1 | 9.4 |
| Construction work value | 15.4 | 10.1 | -0.2 | 1.7 | -0.1 | 2.5 | -4.9 | -4.4 | -1.0 | -3.5 | -2.2 |
| (year-on-year) | - | - | 17.0 | -1.9 | -0.5 | 1.5 | -3.4 | -9.8 | -5.8 | -16.6 | -3.5 |
| Exports¹ | -5.9 | 15.8 | 34.9 | 6.7 | 8.4 | 9.8 | 3.1 | 1.7 | 8.7 | -8.2 | 22.7 |
| Imports¹ | -6.9 | 17.8 | 22.7 | 8.0 | 11.6 | 13.7 | 12.9 | 7.8 | 9.4 | -1.6 | 28.1 |
| Current account² (\$ billion) | 992.4 | 784.6 | 122.9 | 57.2 | 172.4 | 118.3 | 178.3 | 280.3 | 84.4 | 108.3 | .. |

Notes: 1. Customs-clearance basis; year-on-year rates of growth.

2. Non-seasonally-adjusted figures.

Sources: *Monthly Industrial Statistics*, Statistics Korea; Korea Customs Service; the Bank of Korea

5. Manufacturing production showed a 0.8 percent month-on-month expansion in October, as production in the other transportation equipment and the fabricated metal products increased. Services sector production rose by 0.3 percent month-on-month, on the effects of expansions in the finance and insurance activities and the wholesale and retail trade, and despite declines in the health and social work activities and the restaurants and hotels sectors.
6. The number of persons employed was 64,000 higher year-on-year in October, and 25,000 persons greater month-on-month. The unemployment rate (seasonally-adjusted) fell to 3.9 percent – 0.1 percentage point below that in September.

Table 4. Production and Employment

(S.A., period-on-period changes, percent)

| | 2016 | 2017 | | | 2018 | | | | | |
|---|------|------|------|------|------|------|-----------------|------|------------------|------------------|
| | Year | Year | Oct | Q4 | Q1 | Q2 | Q3 ^P | Aug | Sep ^P | Oct ^P |
| Manufacturing production | 2.4 | 1.6 | 0.3 | -1.1 | -1.3 | 3.0 | 0.4 | 1.6 | -2.1 | 0.8 |
| (year-on-year) | - | - | -6.2 | -4.8 | -2.8 | 0.5 | -2.2 | 2.0 | -8.9 | 11.1 |
| Average capacity utilization ratio | 72.9 | 72.6 | 73.3 | 71.8 | 71.0 | 73.2 | 74.2 | 75.7 | 73.8 | 74.0 |
| Services production | 2.6 | 1.9 | -1.2 | 0.2 | 1.0 | 0.2 | 0.2 | -0.1 | 0.1 | 0.3 |
| (year-on-year) | - | - | -1.4 | 0.9 | 2.6 | 2.3 | 0.8 | 1.6 | -1.5 | 5.4 |
| Change in number of persons employed (thousands)¹ | 231 | 316 | 4 | 79 | 37 | -65 | -30 | -12 | 91 | 25 |
| (year-on-year) ¹ | - | - | 281 | 265 | 183 | 101 | 17 | 3 | 45 | 64 |
| Unemployment rate¹ | 3.7 | 3.7 | 3.6 | 3.7 | 3.7 | 3.8 | 4.0 | 4.2 | 4.0 | 3.9 |

Note: 1. Final figures.

Sources: *Monthly Industrial Statistics*, Statistics Korea; *Economically Active Population Survey*, Statistics Korea.

7. Consumer prices were 2.0 percent higher year-on-year in October, as their pace of increase thus expanded compared to September (1.9%). In month-on-month terms they fell by 0.2 percent, pulled down by agricultural product prices. Year-on-year core inflation (the index with groceries and energy products excluded from the CPI) was 0.9 percent, to thus maintain a trend of increase near the 1% level after the 1.0 percent figure in September.
8. The pace of increase in apartment sales prices slowed in October (0.3% in September → 0.1% in October, month-on-month). Apartment *jeonse* (leasehold deposit) prices fell month-on-month.

Table 5. Consumer and Real Estate Prices

(year-on-year changes, percent)

| | 2016 | 2017 | | | | 2018 | | | | | |
|--|------|------|--------|-------|--------|-------|-------|-------|-------|--------|--------|
| | Year | Year | Oct | Q3 | Q4 | Q1 | Q2 | Q3 | Aug | Sep | Oct |
| Consumer prices (CPI)¹ | 1.0 | 1.9 | 1.8 | 2.3 | 1.5 | 1.3 | 1.5 | 1.6 | 1.4 | 1.9 | 2.0 |
| | - | - | (-0.2) | (0.6) | (-0.3) | (0.9) | (0.3) | (0.6) | (0.5) | (0.7) | (-0.2) |
| Index excluding agricultural and petroleum products¹ | 1.9 | 1.5 | 1.6 | 1.4 | 1.5 | 1.3 | 1.3 | 1.0 | 1.0 | 1.0 | 0.9 |
| | - | - | (0.2) | (0.3) | (0.0) | (0.6) | (0.4) | (0.0) | (0.2) | (-0.1) | (0.1) |
| Apartment prices² | 0.8 | 1.1 | 0.1 | 0.4 | 0.2 | 0.4 | -0.3 | 0.1 | -0.1 | 0.3 | 0.1 |
| Apartment <i>jeonse</i> (leasehold deposit) prices² | 1.9 | 0.6 | 0.0 | 0.2 | 0.0 | -0.5 | -1.1 | -0.8 | -0.3 | -0.1 | -0.1 |

Notes: 1. Figures in () are the period-on-period rates of change.

2. Compared with the last months of the previous periods; percentages.

Sources: *Consumer Price Index*, Statistics Korea; *National Housing Price Trend Survey*, Korea Appraisal Board