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HRI Monthly Economic Review

- I. Recent Economic Trends
- II. Economic Issues Facing Korea
- III. North Korean Issues
[Annex] Domestic and
Global Economic Indices

△ Hyundai Research Institute



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Devoting to economic research
and human resource development
with intellectual conscience and sincerity,
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< Executive Summary >

I . Recent Economic Trends

The US maintains its recovery trend and Europe's economic recovery appears to slow down for the moment. Japan and China continue to show economic recovery. In terms of Korea, Both production and consumption increased. The improving exports keep trade surplus increasing, and slowdown of price upswings continues.

II . Economic Issues Facing Korea

『Forecast on Housing Market by Region and Size: Increasing Trend of Polarization』

Considering the ripple effect of the struggling real estate market and unstable deposit-based rent rates, the government should introduce policies to limit the damage on the economy for ordinary people: (1) Measures for soft landing of the housing market should be urgently in place as a top priority by dealing with excess supply of large-sized houses. Changing the purpose of use of large-sized housings as space for creative economy is one suggestion. (2) Preparation should be made for the re-emergence of an unstable real estate market that could be caused in the near future by the supply shortage of small & medium sized houses. The government may need to consider incentives to private construction companies to build more small & medium size homes.

『Characteristics of Korea's Fiscal Balance and Policy Suggestion』

There are several characteristics of fiscal revenues and expenditures: (1) The growth rate of fiscal revenue falls as economic growth slows down. (2) Fiscal revenue falls as non-taxation and tax reduction incentives expand. (3) Welfare expenditure is sharply rising due to the growing welfare demand and increasing social risks such as low birth rate, aging society and income polarization. (4) Government expenditure sharply increased to expand growth potential and boost economy, but this will fall in priority in favor of expenditure on welfare. (5) Flexible management of finance is increasingly difficult with mandatory expenditure rising by 8.3% per year for 2007-2012. (6) Optimistic compilation of mid & long term financial management plans hampers the goal of achieving a balanced financial budget.

III . The North Korean Issues

Although discussion of the unification of Korea falters due to the strained North and South relations, unification is a matter for whole Korean people and is a task that should be accomplished at any cost if Korea is to emerge as a global power. Government is emphasizing the importance of unification with a principle of “Laying foundation for the Happy Age of Unification”, and recommending “Unification Starting Small to become a Mighty One” as a means to realize unification. A survey was conducted on 814 men and women of 19 years of age or older and 105 experts on North-South Korean relations.

I . Recent Economic Trends

Recent Global & Domestic Economic Trends

Major Foreign Economies

The US maintains its recovery trend and Europe's economic recovery appears to slow down for the moment. Japan and China continue to show economic recovery.

US industrial production marginally dropped while retail sales rose, keeping on track for recovery. Overall industrial production in October 2013 recorded a month-on-month fall of 0.1% due to the reduced production in mining and utility industry, although the production of manufacturing industry, which accounts for 75% of the total industrial production, rose by 0.3%. Retail sales in October marked a month-on-month rise of 0.4%, a rebound from the fall in the previous month. Unemployment rate in November marked 7.0%, a month-on-month decrease of 0.3%p. Housing market shows some mixed trend with the provisional Housing Sales Index marking 102.1p as of October, a drop for five consecutive months while Case-Shiller Housing Price Index reached 162.2p as of September, an increase for the 20th consecutive month.

Eurozone's economic recovery appears to slow for the moment. Retail price and industrial production in September recorded a month-on-month drop of 0.6% and 0.5% respectively. The inflation rate in October marked a year-on-year increase of 0.7%, the lowest rise for four years. The unemployment rate in October was 12.1%, a drop of 0.1% from September with the inflation rate marginally rising to 0.9% from 0.7% of September.

Japan's economic growth continues to gain strength. Industrial production in October marked a month-on-month rise of 0.5%, an upturn for the second consecutive month, while retail sales fell by 1.0% in October, the first downturn

in three months. Export volume in October recorded a year-on-year increase of 18.6%, the biggest increase since July 2010.

Although China's economic recovery trend continues, market concerns are growing over the possibility of Chinese government adopting a retrenchment policy with the growing pressure for price rises. Both industrial production and retail sales showed a year-on-year rise of 10.3% and 13.3% respectively in October. The consumer price recorded a year-on-year increase of 3.2% in October due to the rise of food price. The HSBC PMI marginally dropped to 50.4p in November from 50.9p in October.

Global financial market performance in November was affected by various factors including the approval of the next FRB chairperson by the Senate hearing committee to confirm the appointment, the conclusion of negotiation on Iranian nuclear program, and the reduction of interest rate by European Central Bank.

< Economic indices of major countries >

(%)

(p, yen, euro, yuan)

Economic Sectors		2011	2012	2013			Economic Sectors		2011	2012	2013		
		Annual	Annual	Aug	Sep	Oct			Annual	Annual	Oct	Nov	Dec
US	Industrial Production	3.4	3.6	0.4	0.7	-0.1	US	DJIA	12,218	13,104	15,546	16,086	15,915
	Retail Sales	7.5	5.3	0.2	0.0	0.4	EU	DAX	5,898	7,612	9,034	9,405	9,223
EU	Industrial Production	3.1	-2.4	1.0	-0.5	-		EUR/USD	0.772	0.756	14,328	15,662	15,750
	Retail Sales	-0.3	-1.8	0.5	-0.6	-	Japan	NIKEI	8,455	10,395	2,142	2,221	2,223
Japan	Industrial Production	-2.8	0.6	-0.9	1.3	-		YEN/USD	77.66	85.86	1.3723	1.3603	1.3541
	Retail Sales	-1.0	1.8	0.9	1.7	-	China	SSE	2,199	2,269	98.51	102.31	102.95
China	Industrial Production	13.9	10.0	10.4	10.2	10.3		CNY/USD	6.3190	6.2317	6.0938	6.0924	6.0929
	Retail Sales	17.1	14.3	13.4	13.3	13.3							

Source: US Department of Commerce; Eurostat;
The People's Bank of China
Note: US, EU, Japan QoQ, China YoY

Source: Bloomberg

Korean Economy

Domestic production, consumption, and investment all increased. The improving exports keep trade surplus increasing, and slowdown of price upswings continues.

Domestic production, consumption, and investment all increased. Overall industrial production in October showed a month-on-month rise of 0.1% with the increased industrial production in all industries including service, mining, and manufacturing. Retail sales marked a month-on-month rise of 1.3% in October with the increased sales of durable and nondurable goods, though the sales of semi-durable goods dropped. Facility investment achieved a month-on-month rise of 19.3% thanks to the increased investments in transportation equipment and machinery.

Exports in November 2013 reached US\$47.92 billion, a year-on-year increase of 0.2%, and imports recorded US\$43.11 billion, a year-on-year drop of 0.6%, thereby reaching a trade surplus of US\$4.8 billion, maintaining a continuing surplus for 22 consecutive months, thanks to the reduced import volume due to the stabilized prices of imported raw materials, and growing exports of intermediary products such as parts and materials.

Total number of employees in October 2013 accounted for 25.545 million, a year-on-year rise of 476 thousand. The rising trend of regular workers continued, and the decreasing rate of temporary and day workers also shrank, showing an increase of employees of over 400 thousand for the third consecutive month. The unemployment rate in October marked 2.8%, same as that of September last year. The number of the unemployed accounted for 724 thousand, a year-on-year increase of 6 thousand.

The consumer price index in November showed a month-on-month drop of 0.1% and a year-on-year drop of 0.9%, maintaining the level of zero percentage for the third consecutive month. The core price index recorded a month-on-month increase of 0.3% and a year-on-year rise of 1.8%. The fresh food price index marked a month-on-month drop of 3.8%, and a year-on-year fall of 8.5% thanks to the lasting good weather.

The Korean financial market in November was affected by the revitalized global stock market, improving economic indices of Eurozone, and depreciation of the yen.

< Korea Major Economic Indices >

(p, %)

Economic Sectors		2011			2012					2013				
		Annual	3/4	4/4	Annual	1/4	2/4	3/4	4/4	1/4	2/4	3/4	Oct	Nov
Domestic Market	Retail Sales	4.5	0.5	0.0	2.3	1.0	0.3	1.2	0.4	-1.2	0.4	1.2	1.3	-
	Facility Investment Index	4.0	0.1	-2.8	-2.0	6.4	-5.0	-6.8	0.8	-4.5	-1.0	0.5	19.3	-
	Construction	-6.4	-5.4	3.0	-5.8	-4.9	-9.7	-2.3	-5.6	5.2	15.6	11.1	5.6	-
Foreign Trade	Export Growth Rate	19.0	21.4	9.0	-1.3	2.9	-1.7	-5.8	-0.4	0.4	0.8	2.8	7.2	0.2
Employment/ Prices	Unemployment Rate	3.4	3.1	2.9	3.2	3.8	3.3	3.0	2.8	3.6	3.1	3.0	2.8	-
	Consumer Price	4.0	4.3	4.0	2.2	3.0	2.4	1.6	1.7	1.4	1.1	1.2	0.7	0.9
Finance	KOSPI	-	1,770	1,826	-	2,014	1,854	1,996	1,997	2,005	1,863	1,997	2,030	2,045
	KRW/USD	-	1,178	1,152	-	1,133	1,145	1,111	1,071	1,111	1,142	1,075	1,061	1,058
	3yr Government Bond	-	3.55	3.34	-	3.55	3.30	2.79	2.82	2.52	2.88	2.82	2.82	3.01
	Corporate Bond (BBB-)	-	10.31	10.12	-	10.05	9.69	8.69	8.81	8.50	8.99	8.97	8.99	9.18

Source: Bank of Korea, National Office of Statistics, Foreign Trade Association

II . Economic Issues Facing Korea

1. Forecast on Housing Market by Region and Size: Increasing Trend of Polarization

Polarization Tendency of Housing Market

Since the start of global financial crisis in 2008, the housing market of the capital city and its neighboring regions has remained in a protracted recession while other regions continue to improve; especially demand for houses of large size is weak whilst small and medium size houses are selling well. In the meantime, with the government's measures to invigorate the real estate market released on April 1st and August 28th this year, the expectation for the turn-around of the housing market has risen.

Analysis of the Supply and Demand Factors of Housing

An analysis of supply and demand of housing is essential to forecast housing market trends when macroeconomic conditions related to the housing market is mixed with potential factors for both improvement and deterioration. Following the government guideline for categorizing home-sizes, a house of smaller than 85m² set as 'small and medium houses' for exclusive use as a household of one to four in the capital area where vast majority of people live in apartments, and a household of one to three in other regions where vast majority of people live in detached house. And a household of more than four in the capital area and a household of more than three in other regions was set as large houses. The number of houses demolished or to be demolished, houses planned to be built, and those houses the purpose of which was changed for other use was deducted from the total number of houses available. It is estimated that the number of households of three or under will increase each year by approximately by 180,000 in the capital area and by more than

200,000 in other regions, while the number of households of four or under will decrease by about 50,000 in the capital area and by 80,000 in other regions each year. In the meantime, unsold houses and newly built houses were taken into account as new supply. Unlike in other regions, the number of unsold houses (mainly medium-large size) in the capital area is on the increase, and it is estimated that the increasing number of house builds (mainly outside of the capital area) in 2011-2012 will be considered as a new supply in one to two years while the decreasing number of house builds after 2013 will be taken as a decrease in supply in three years.

Judging from the direction of supply and demand of housing market by regions and by sizes of housing (2x2) based on the estimates above, the housing market for small & medium sized houses in the capital area shows an excess supply though it may be converted into excess demand later, while the market for large-sized houses in the area is forecast to continue to decline with accumulated excess supply hitherto. The housing market for small & medium size houses in other regions may show a reduced excess demand in 2014, but will return to increasing excess demand soon after while market for large-sized houses in the regions will face accumulating excess supply.

Forecast on Housing Market and Policy suggestion

Based on this trend of supply and demand, the housing market for 2014 is forecast to fluctuate up and down developing a deepening polarization of regional and house-size as time goes on. By region, the housing markets in non-capital regions are forecast to be stronger compared with the capital area which suffers from relatively more serious overall excess supply. By size, the market for small & medium-sized houses is set to continue to be strong while the market for large-sized houses will remain weak due to the apparent trend of nuclear family and an aging society. Meanwhile the market uncertainty for deposit-based rent is likely to persist due to the unstable market and increasing demand for deposit-based rent.

Considering the ripple effect of the struggling real estate market and unstable deposit-based rent rates, the government should introduce policies to

limit the damage on the economy for ordinary people:

1. Measures for soft landing of the housing market should be urgently in place as a top priority by dealing with excess supply of large-sized houses. Changing the purpose of use of large-sized housings as space for creative economy is one suggestion.
2. Preparation should be made for the re-emergence of an unstable real estate market that could be caused in the near future by the supply shortage of small & medium sized houses. The government may need to consider incentives to private construction companies to build more small & medium size homes.

Working class people's rights to housing should be secured by improving current lease system to safeguard the extension of the lease term and to strengthen the legal enforceability of contract terms. Government should introduce a guideline for fair rent calculation including a conversion table of deposit-based rent to monthly rent and vice versa so that working class people have good knowledge of how much they should budget for housing expenses.

2. Characteristics of Korea's Fiscal Balance and Policy Suggestion

Concern over Expanding Government Budget Deficit

An accumulating budget deficit leads to national debt posing additional tax burden on future generations, the Korean economy becoming vulnerable to external shock and growing concern over potential fiscal crisis if the vicious circle of the accumulated budget deficit and the increasing national debt sets in. This is why the government always aims for fiscal balance. A growing budget deficit and sharply increasing national debt as a result of carrying out national tasks in earnest amid shrinking government revenues is a cause for concern.

Fiscal Trend

(Fiscal Balance) Korea suffers from chronic fiscal deficit not only during periods of depression but also during periods of boom. Out of 26 fiscal years, the government has recorded 22 years of budget deficit since 1988 when the government began to release Fiscal Revenues and Expenditures Management Data. The budget deficit has persisted following the global financial crisis of 2008, and the government has forecast a deficit budget of around US\$24.43 billion (1.8% of Korea's GDP) for 2014. As a result, the burden per capita jumped from US\$520 in 1988 to US\$6,448 in 2012, and is forecast to be around US\$6,774 in 2013 and US\$6,934 in 2014.

(National Debt) National debt increased by a staggering 14.2% per year (from US\$56.89 billion to US\$418.02 billion) during the period of 1997 to 2012 while GDP grew by only 6.3% per year for the same period (from US\$477.64 billion to US\$1.2 trillion) pushing the government debt to nominal GDP ratio from 11.9% in 1997 to 34.8% in 2012 and is estimated to be 36.5% (US\$486.04 billion) in 2014. With the interest burden also increasing by 9.6% per year, a vicious circle among the accumulated budget deficit, the increasing national debt, the increasing interest burden, and the expanding budget deficit is feared to take place. National debt per capita increased from US\$1,235 in 1997 to US\$8,358 in 2012, and is estimated to be US\$9,019 in 2013 and US\$9,641 in 2014.

Characteristics of Fiscal Revenues and Expenditures

(Fiscal Revenues)

- 1. The growth rate of fiscal revenue falls as economic growth slows down.** Economic growth is the source of fiscal revenue, and when GDP drops by 1%p, the national tax revenue falls by 1.072%p (around US\$2.17 billion) leading to fiscal revenues being reduced by 1.255%p (US\$41.5 billion). Employing H-P Filtering technique to estimate transitional aspects of potential growth rate, Hyundai Research Institute concluded that the potential growth rates fell from 9.2% in the 1970s to as low as 3.8% since the latest global financial crisis. The economic growth rate of this

year is also likely to stay below 3%, another year of sub 3% growth, rendering the growth rate of government revenues at a low level.

- 2. Fiscal revenue falls as non-taxation and tax reduction incentives expand.** Tax expenditures offering tax reduction increased by 7.1% per year for the period of 2000 to 2013 (from US\$12.55 billion to US\$28.40 billion) lowering government revenues to the same extent. The government has tried to reorganize the non-taxation and tax reduction system to expand tax revenues by US\$4.53 billion, but has only managed to increase revenue by US\$432 million due to the resistance from interested parties and the expanded range of tax free or tax reduction incentives necessary to carry out major government projects.

(Fiscal Expenditure)

- 3. Welfare expenditure is sharply rising due to the growing welfare demand and increasing social risks such as low birth rate, aging society and income polarization.** Government expenditures on health, welfare, and employment rose by 8.6% per year during the period of 2007 to 2012 (from US\$57.92 billion to US\$87.36 billion), and is expected to rise by 6.4% per year from 2013 to 2017 (from US\$93.70 billion to US\$120.28 billion). In particular, expenditure on the areas related to welfare for the aged and promotion of youth employment is expected to rise by 23.5% per year, demonstrating the serious consequences resulting from low birth rate and aging society.
- 4. Government expenditure sharply increased to expand growth potential and boost economy, but this will fall in priority in favor of expenditure on welfare.** Expenditure on R&D rose by 10.2% per year during the period of 2007 to 2012 (from US\$11.89 billion to US\$14.34 billion), SOC expenditure increased by 4.7% (from US\$17.36 billion to US\$21.79 billion), and expenditure on industries, small & medium companies and energy went up by 3.7% (from US\$11.89 billion to US\$14.25 billion). For the period of 2013 to 2017, however, R&D expenditure is expected to rise by only 3.9% per year (from US\$16.13 billion to US\$18.77 billion), and SOC expenditure and expenditure on industries, small &

medium companies, and energy are forecast to decrease by 6.4%(from US\$23.58 billion to US\$18.11 billion) and 5.7%(from US\$15.75 billion to US\$12.45 billion) respectively.

5. Flexible management of finance is increasingly difficult with mandatory expenditure rising by 8.3% per year for 2007-2012.

Mandatory expenditure on welfare in particular rose by 11.1%, and financing for the relocation of government agencies to provincial areas and interest expenditure also rose by 7.1% each. This trend is expected to continue for some time.

(System & Practice)

6. Optimistic compilation of mid & long term financial management plans hampers the goal of achieving a balanced financial budget.

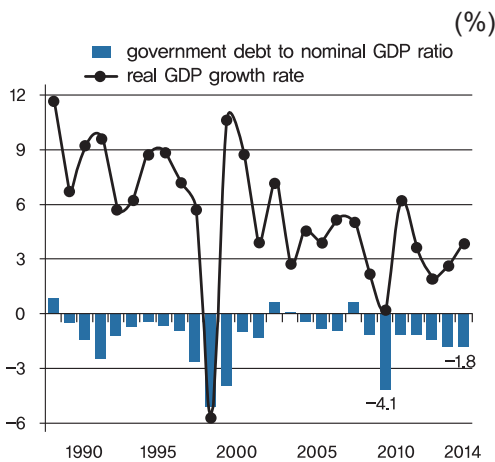
Taking ‘National Financial Operation Plan for 2013-2017’ for instance, government expected to achieve a balanced fiscal position in 2012 with real GDP growth rate of 6.8%, but recorded a budget deficit of US\$16.42 billion with GDP growth rate of only 2.0%. The traditional malpractice of shifting responsibility to achieve balanced finance to the next government is continuing. ‘National Financial Operation Plan for 2013-2017’ released in September this year shows that the government compiled a budgetary deficit forecast up to 2017, when the term of the present government ends.

Policy Suggestions

There is a growing concern that aging phenomenon and weakening growth engine of Korean economy may result in a vicious circle among the accumulated budget deficit, the increasing government debt, the increasing interest burden, and the expanding budget deficit, and therefore government needs to reduce or remove risk factors causing expansion of budget deficit by introducing following measures:

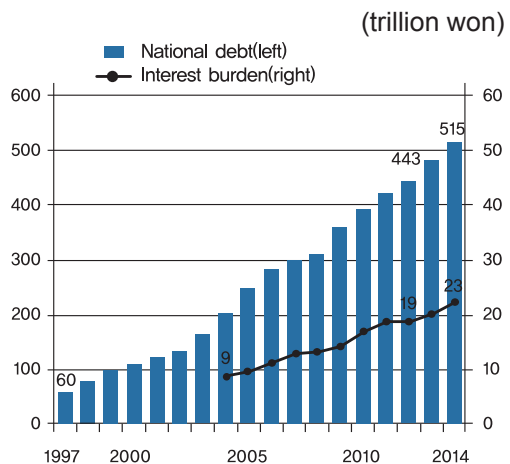
1. Government should be able to present a national vision for taxation and welfare for national consensus.
2. Fiscal policy for expanding growth potentials and policy for expanding welfare benefits should be operated in good balance.
3. System for awarding non-taxation or tax reduction incentives should be reorganized, and if it is really necessary for the policy purpose, it is desirable that tax-related incentives are switched to fiscal expenditure.
4. When introducing a new mandatory expenditure, a “pay-go” principle should be applied whereby no new mandatory expenditure would be initiated without first finding a revenue source or without first reducing existing mandatory expenditure to lower the growth rate of total mandatory expenditure.
5. Government should make it a rule to achieve fiscal balance within its term of office by legislating a fiscal code regulating the ceiling of budget deficit and national debt.

<Fiscal Revenue & Expenditure Trend>



Source : Ministry of Strategy and Finance, Bank of Korea
 Note : Figures for 2013 and onwards are Government Forecast

<National Debt & Interest Burden Trend>



Source : Ministry of Strategy and Finance
 Note : Figures for 2013 and onwards are Government Forecast

III. The North Korean Issues

Survey on General Public and Experts on Awareness of Unification

Although discussion of the unification of Korea falters due to the strained North and South relations, unification is a matter for whole Korean people and is a task that should be accomplished at any cost if Korea is to emerge as a global power. Government is emphasizing the importance of unification with a principle of “Laying foundation for the Happy Age of Unification”, and recommending “Unification Starting Small to become a Mighty One” as a means to realize unification. A survey was conducted on 814 men and women of 19 years of age or older and 105 experts on North-South Korean relations.

Unification is a must for national interest and benefits from it is enormous

(Necessity of Unification) As many as 78.0% of 814 general public and 98.1% of 105 experts answered that unification is necessary, 5% higher compared to the survey conducted on general public in 2012, while showing a lower degree of support for unification as the age group of the respondents moves down (66.8% of 20s, 74.9% of 30s, 84.6% of 40s, 84.2% of 50s and older).

< Necessity of Unification >

	General Public		Experts
	2012	2013	2013
Necessary	73.7%	78.0%	98.1%
Not necessary	21.1%	20.8%	0.0%
Do not know	5.2%	1.2%	1.9%

Source : Hyundai Research Institute, 「Pending Issues and Tasks : North-South Relations and Awareness of Unification under the Regime of KIM Jong Il」, Feb. 2012.

(Perception of Unification) To a question “Do you believe the unification is useful in terms of national interest?” substantial number of members of general public(67.0%) and vast majority of experts(98.1%) answered “Yes”, 13.8% and 1.8% higher than the survey result conducted on general public and experts respectively in 2011.

< Perception of Unification >

	General Public		Experts	
	2011	2013	2011	2013
Necessary	53.2%	67.0%	96.3%	98.1%
Not necessary	46.8%	29.9%	3.8%	1.0%
Do not know	0.0%	3.2%	0.0%	1.0%

Source: Hyundai Research Institute, 「Korean Peninsula Peace Index for the Third Quarter, Lasting Tensed Relations between North and South Korea」 Nov. 2011.

Complete unification in political and economic areas is most preferred, and the timing of unification predicted is over 11 years from now.

(Type of Unification Preferred) The type of unification most preferred by general public(38.8%) and experts(41.0%) is ‘complete unification in political and economic areas’. In the case of general public, the level of passive attitude such as support for ‘unification to the level of free movement to and from’ or ‘maintenance of the status quo’ dropped while active attitude towards unification such as ‘complete unification’ continues to rise.

< Type of Unification Preferred >

	General Public			Experts		
	2010	2011	2013	2010	2011	2013
Complete Unification of Two Koreas	23.7%	25.1%	38.8%	34.8%	27.8%	41.0%
Peaceful Coexistence under One nation Two Governments System	25.0%	18.8%	18.4%	31.9%	43.0%	34.3%
Unification to the extent of Free Movements To and From	40.6%	44.4%	32.8%	20.3%	27.8%	23.8%
Maintenance of the Status Quo	10.7%	11.6%	10.0%	0.0%	1.3%	1.0%

Source : Hyundai Research Institute, 「Yes for Unification, but Reluctant for the Cost, Opinion Poll conducted on North-South Relations」 Nov. 2010.

(Predicted Time of Unification) Majority of general public and experts agreed that unification would come more than 11 years from now, and experts appeared to be more optimistic about the possibility of unification. General public turned more optimistic while experts changed for more pessimistic when it comes to the predicted timing of unification (General public: 17.0% in 2010 → 25.2% in 2013, Experts: 36.2% in 2010 → 29.5% in 2013).

< Predicted Time of Unification >

	General Public			Experts		
	2010	2011	2013	2010	2011	2013
Within 5 years	2.4%	2.8%	3.1%	8.7%	6.3%	5.7%
Within 6-10 years	14.6%	16.4%	22.1%	27.5%	29.1%	23.8%
Within over 11 years	61.6%	61.0%	55.4%	62.3%	63.3%	68.6%
Impossible to predict	21.4%	19.8%	19.4%	1.4%	1.3%	1.9%

Positive attitude towards the cost of unification is gradually growing

(Cost for Unification) Respondents (general public) of ‘Do not want to pay’ and ‘Prepared to pay no more than KRW10,000 (approx. US\$10) a year’ dropped from 72.1% in 2010 to 51.9% in 2013, while respondents of ‘Prepared to pay more than US\$1,000’ per year rose by 12.0% compared to 2010. In the case of experts, respondents of ‘Prepared to pay more than US\$1,000’ fell from 74.4% in 2010 to 43.1% in 2011 before bouncing back to 66.7% in 2013. The survey result demonstrates the perception of the absolute necessity of preparing for unification regardless of the continually strained relations between the South and the North.

< Cost for Unification >

	General Public			Experts		
	2010	2011	2013	2010	2011	2013
Do not want to pay any	37.4%	46.0%	27.0%	1.4%	10.1%	2.9%
Ready to pay no more than US\$10/year	34.7%	33.4%	24.9%	4.3%	13.9%	2.9%
Ready to pay US\$20-100/year	24.6%	17.5%	32.9%	20.0%	32.9%	27.6%
Ready to pay US\$100-500/year	2.7%	2.6%	12.1%	41.5%	36.7%	42.9%
Ready to pay more than US\$500/year	0.5%	0.5%	3.1%	32.9%	6.4%	23.8%

Sharp Rise of Positive attitude towards China and Negative Attitude towards Japan

(Nations Most Influential on the Unification of Korea) The latest survey shows that China came second to the USA as a country likely to help with Korea’s unification, a rise by 8.9%(general public) and by 16.4%(experts) compared to the survey conducted in 2012. Experts’ positive view of the role to be played by the USA in relation to unification of Korea diminished by 16.7%, while the negative view rose by 15.4%. General public’s negative view of Japan’s role in connection with unification of Korea grew from 11.6% to 28.6%, more than twice as much compared to last year’s survey result, which is believed to be attributed to the diplomatic conflicts involving long-pending issues such as Dokdo and distortion of past history.

< Nations Most Influential on Unification of Korea >

		General Public		Experts	
		2012	2013	2012	2013
Nations likely to be most helpful to the unification	USA	42.5%	45.2%	68.1%	51.4%
	China	29.2%	38.1%	18.8%	35.2%
	Japan	4.0%	2.5%	1.4%	0.0%
	Russia	3.1%	4.5%	11.6%	4.8%
	Others	0.0%	9.7%	0.0%	8.6%
Nations likely to be in the way of unification	USA	16.4%	19.2%	11.3%	26.7%
	China	67.6%	45.2%	69.0%	52.4%
	Japan	11.6%	28.6%	19.7%	16.2%
	Russia	4.4%	5.3%	0.0%	0.0%
	Others	0.0%	1.7%	0.0%	4.8%

[Annex]
Domestic and Global Economic Indices

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□ Global Growth Rate

Category	2011					2012					2013
	Annual	1/4	2/4	3/4	4/4	Annual	1/4	2/4	3/4	4/4	Annual(E)
US	1.8	0.1	2.5	1.3	4.1	2.8	3.7	1.2	2.8	0.1	1.6
Euro Region	1.4	0.8	0.2	0.1	-0.4	-0.6	-0.1	-0.2	-0.1	-0.6	-0.4
Japan	-0.6	-7.3	-2.8	10.4	0.6	1.9	4.8	-0.9	-3.6	1.0	2.0
China	9.3	9.7	9.5	9.1	8.9	7.8	8.1	7.6	7.4	7.9	7.6

Note : 1) IMF figures of October 2013 for 2013 global projections.

2) Annual rates were compared with those of previous term for the US and Japan, with the rates of the previous term for Euro region, and with the same term in the previous year for China.

□ Economic Indicators of South Korea

Division		2011	2012			2013(E)
			the first half	the second half	Annual	
National Account	Economic Growth rate (%)	2.0	1.9	3.3	2.6	3.8
	Private Consumption (%)	1.7	1.6	2.3	2.0	2.7
	Construction Investment (%)	-2.2	5.2	2.5	3.7	2.5
	Facility Investment (%)	-1.9	-8.2	5.8	-1.5	6.7
Foreign Trade	Current Account (100 million Dollars)	481	298	322	620	490
	Exports (100 million Dollars) [Increase rate, %]	5,479 [-1.3]	2,765 [0.6]	2,883 [5.6]	5,648 [3.1]	6,123 [8.4]
	Imports (100 million Dollars) [Increase rate, %]	5,196 [-0.9]	2,566 [-2.9]	2,614 [2.3]	5,180 [-0.3]	5,274 [10.5]
Consumer Price (Average, %)		2.2	1.4	1.5	1.4	2.4
Unemployment rate (Average, %)		3.2	3.4	3.2	3.3	3.1

□ Economic Indicators of North Korea

		2005	2006	2007	2008	2009	2010	2011	2012
Per capita GNI (10,000 won)		105	103	104	114	119	124	133	137
Amount of Trade by Year (USD million)	South-to-North	715.5	830.2	1,032.6	888.1	744.8	868.3	800.2	897.2
	North-to-South	340.3	519.5	765.3	932.3	934.3	1,043.9	913.7	1,074.0
	Total	1,055.8	1,349.7	1,797.9	1,820.4	1,679.1	1,912.2	1,713.9	1,971.2

Source : THE BANK OF KOREA, Ministry of Unification

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HRI is established by Chung Ju-yung, the first CEO, founder and honorary chairman of Hyundai Group in 1986. HRI is a leading Korean research think tank committed to studying and analyzing the economic and industrial environment as well as reunification economy of Korea. HRI, further, has its own businesses such as business consulting, education and training service, and knowledge-content business.

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