



One-click report : South Korea
April 7th 2023

One-click report : South Korea

EIU

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Briefing sheet

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Political and economic outlook

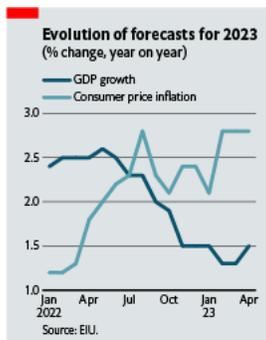
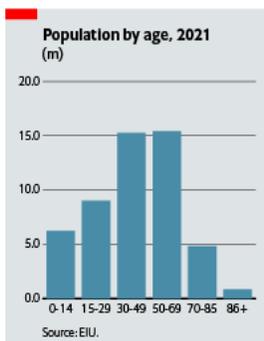
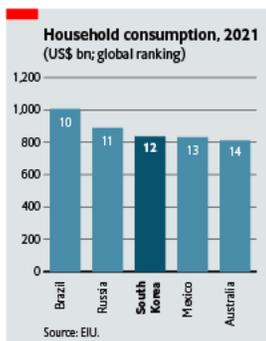
- South Korea has the fourth-largest economy in Asia and hosts a comprehensive, export-oriented manufacturing sector that excels in electronics, vehicles and petrochemicals. Supply-chain diversification will be a priority for local companies amid US-China rivalry.
- Government policymaking faces disruption in 2023 from labour strikes and protests related to the cost of living, but frictions within the ruling People Power Party will ease after its leadership election in March. The president, Yoon Suk-yeol, will have to contend with confrontational politics, as the main opposition Minjoo Party controls parliament.
- The government will use deregulation and tax cuts to spur investment and job creation in the private sector, but fiscal policy will shift towards consolidation. The Bank of Korea (BOK, South Korea's central bank) will maintain a neutral stance throughout 2023, leaving the policy rate at 3.5% as it balances supporting growth against curbing firm inflation.
- We forecast that South Korea's real GDP will grow moderately by 1.5% in 2023. A global economic slowdown will curb external demand for South Korean goods and services, while sticky inflation, rising borrowing costs and waning consumer spending will weigh on domestic demand. However, China's reopening will provide a moderate boost.
- The South Korean won will appreciate against the US dollar in 2023 as interest rates in the US peak, leading to the stabilisation of bilateral interest-rate differentials. The widening of South Korea's current-account surplus will also support this recovery.
- South Korea is more reliant than Japan on the external sector, which leaves it more exposed to ebbs and flows in global trade. Along with Taiwan, South Korea is a major exporter of semiconductors, with strong global dominance in memory chips.
- A thaw in South Korea's ties with Japan will boost defence and economic co-operation with the US. This will antagonise North Korea and raise tensions on the Korean peninsula. It will also strain ties with China—a cause for concern for business.

Key indicators

	2022 ^a	2023 ^b	2024 ^b	2025 ^b	2026 ^b	2027 ^b
Real GDP growth (%)	2.6	1.5	2.5	2.8	2.7	2.9
Consumer price inflation (av; %)	5.1	2.8	0.9	1.3	1.1	1.2
Government balance (% of GDP)	-2.8	-2.1	-1.7	-1.5	-1.3	-1.0
Current-account balance (% of GDP)	1.8	2.6	2.8	2.8	3.1	3.0
Short-term interest rate (av; %)	2.0	3.5	3.1	2.9	2.9	2.9
Unemployment rate (%)	2.9	3.1	2.9	2.7	2.7	2.6
Exchange rate W:US\$ (av)	1,291	1,250	1,193	1,136	1,120	1,129

^a EIU estimates. ^b EIU forecasts.

Market opportunities



Key changes since March 7th

- EIU now forecasts that real GDP will expand by 1.5% in 2023, up from 1.3% in its previous assessment. The revision is due to moderately improving outlooks for the US, the EU and China, which will boost South Korea's external sector.
- We have revised down our estimate of the fiscal deficit in 2022 from 3.4% of GDP to 2.8% of GDP, owing to higher than expected tax revenue. We now forecast the fiscal deficit to narrow to 2.1% of GDP this year, compared to 2.4% previously.

The month ahead

- April 4th—Consumer price index (March): We expect consumer price inflation to have eased further in March (from 4.8% in February) as a result of stabilising global commodity prices and lower consumer spending, in view of higher borrowing costs.

Major risks to our forecast

Scenarios, Q1 2023	Probability	Impact	Intensity
Improving bilateral relations lead Japan to lift restrictions on exports to South Korea	High	Moderate	12
A cyber-attack cripples financial infrastructure	Moderate	High	12
Excessive monetary policy tightening causes a deep recession	Low	Very high	10
Inter-Korean military skirmishes break out following a North Korean nuclear weapons test	Low	Very high	10
Military conflicts in the region severely disrupt trade flows	Low	Very high	10

Note: Scenarios and scores are taken from our Operational Risk product. Risk scenarios are potential developments that might substantially change the business operating environment over the coming two years. Risk intensity is a product of probability and impact, on a 25-point scale.

Source: EIU.

Outlook for 2023-27: Forecast summary

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Forecast summary

(% unless otherwise indicated)

	2022 ^a	2023 ^b	2024 ^b	2025 ^b	2026 ^b	2027 ^b
Real GDP growth	2.6	1.5	2.5	2.8	2.7	2.9
Industrial production growth	1.3	-3.3	3.6	3.1	2.5	2.9
Gross fixed investment growth	-0.8	2.0	2.4	2.9	2.7	2.5
Unemployment rate (av)	2.9	3.1	2.9	2.7	2.7	2.6
Consumer price inflation (av)	5.1	2.8	0.9	1.3	1.1	1.2
Consumer price inflation (end-period)	5.0	1.4	1.1	1.2	1.2	1.6
Short-term interbank rate	2.0	3.5	3.1	2.9	2.9	2.9
Government balance (% of GDP)	-2.8 ^c	-2.1	-1.7	-1.5	-1.3	-1.0
Exports of goods fob (US\$ bn)	690.5	693.8	771.2	849.7	905.9	941.4
Imports of goods fob (US\$ bn)	-675.4	-651.5	-722.1	-793.2	-839.4	-873.2
Current-account balance (US\$ bn)	29.8	46.6	55.1	59.3	68.8	69.2
Current-account balance (% of GDP)	1.8	2.6	2.8	2.8	3.1	3.0
External debt (end-period; US\$ bn) ^d	588.5	588.9	604.1	617.4	622.6	626.6
Exchange rate W:US\$ (av)	1,291	1,250	1,193	1,136	1,120	1,129
Exchange rate W:US\$ (end-period)	1,267	1,210	1,178	1,125	1,129	1,142
Exchange rate W:¥100 (av)	982	1,012	1,078	1,054	1,016	1,038
Exchange rate W:€ (av)	1,361	1,363	1,342	1,309	1,305	1,332

^a EIU estimates. ^b EIU forecasts. ^c Economist Intelligence Unit estimates. ^d On a balance-of-payments basis; includes both foreign- and local-currency-denominated debt held by non-residents.

Political stability

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April 1st 2023

Yoon Suk-yeol, representing the conservative People Power Party (PPP), was elected as president by a narrow margin in 2022. South Korea's political outlook is generally benign, as it is underpinned by widespread respect for democratic institutions, a low risk of violent social unrest and largely business-friendly policy positions held by all mainstream parties. However, the functioning of government suffers from persistent antagonistic party politics. The PPP's minority status in the National Assembly (the unicameral parliament)—which is dominated by the opposition Minjoo Party—will keep law-making confrontational. Although EIU expects Yoon Suk-yeol to serve his full presidential term until 2027, his time in office will be marked by conflict with opposition parties and trade unions and ineffective policy implementation.

The PPP's younger generation of leadership is adept at using social media to communicate with supporters. It holds particularly strong appeal for young male voters with conservative social views. This new-found appeal to young voters complements the wider party's long-standing elderly support base. The election of Kim Gi-hyeon, a veteran lawmaker who is politically close to Yoon Suk-yeol, as leader of the PPP in March will ease internal frictions between the party's old guard and its younger members and facilitate government policymaking.

We do not expect Yoon Suk-yeol's government to shield the economy effectively from the high cost of living and unemployment pressures this year. This will inflame public discontent with the administration's inability to protect social welfare, while exacerbating antagonism between the government and trade unions. The administration's denial of systemic gender discrimination will split public opinion and keep social tensions brewing. Yoon Suk-yeol's public approval rating will remain low, and the risk of (non-violent) public protests will grow during 2023 because of divisive economic and social issues.

Deep acrimony between the two main political parties will jeopardise broader policy efficacy. Neither enjoys broad support across the political divide. Attacks aimed at inflicting reputational damage will continue, hurting public confidence in politicians and the system's ability to generate consensus and solve social and economic problems. Scandals related to corruption and the abuse of power will risk undermining the authority of senior officials. The PPP has outlined limited proposals for tackling rising economic inequality and collusion between government officials and the country's industrial conglomerates (chaebol)—two issues of widespread public concern. This will inhibit the party's efforts to broaden public support in the longer term.

Election watch

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Yoon Suk-yeol of the conservative PPP was elected as South Korea's president for a single five-year term in March 2022. He won 48.6% of the vote, against 47.8% for Lee Jae-myung, who stood for Minjoo and was subsequently elected as that party's leader. The result confirmed the country's conservative turn. However, the shift in public support is far from consolidated, and Minjoo continues to enjoy a lead over the PPP in public opinion surveys.

The presidential election result revealed the conservatives' new-found appeal among young voters. While voters aged 60 or older continued to back the conservative candidate, Yoon Suk-yeol's support rate among voters in their 20s surpassed 45%, owing in part to a campaign focused on appealing to the young male electorate. This could prove crucial to the PPP's prospects in the next legislative election, which is due in April 2024.

The liberal Minjoo still dominates the parliamentary agenda and legislative process, controlling 169 of the 300 seats in the National Assembly, against the PPP's 115 seats. However, it has recently fallen into internal strife, as Lee Jae-myung is under investigation over allegations of abuse of power; he denies any wrongdoing. The next general election will be highly competitive, as neither of the main parties commands wide public approval. Political polarisation means that contentious policies such as labour market reforms will further alienate supporters of the opposition camp, and the numerically dwindling swing voters will play a bigger role in determining election results.

International relations

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Inter-Korean relations will remain fraught in 2023-27. The administration of Yoon Suk-yeol will maintain a hardline approach towards North Korea by strengthening defence capabilities and enhancing military and economic co-operation with the US. Although South Korea remains open to persuading North Korea to denuclearise via negotiations, misaligned expectations and divergent views on the process of denuclearisation suggest that any talks will ultimately fail to reach a meaningful conclusion. Regular large-scale joint military exercises with the US and the deployment of additional US missile defence systems will antagonise North Korea. We expect North Korea to resume nuclear weapon tests in 2023; this will significantly heighten tensions in the region and increase inter-Korean hostility. The growing nuclear threat from North Korea will also add pressure on South Korea to consider hosting US tactical nuclear weapons on its soil as a deterrent. However, we do not expect this to happen, as the government will seek to avoid antagonising China and escalating tension on the peninsula.

South Korea will tilt further towards the US in the latter's strategic rivalry with China. Beyond broader defence co-operation, this will involve co-ordination on semiconductors and building supply chains for batteries. South Korean businesses will be unable to resist pressure to participate in US-led trade restrictions on targeted Chinese industries. They will also accelerate supply-chain diversification by increasing manufacturing investment in Vietnam, Thailand and Malaysia. South Korea will seek to deepen co-operation with other countries in the Asia-Pacific region, particularly Australia, as bilateral trade ties related to energy and raw materials for electronics, batteries and clean energy will deepen.

These moves will create unease in China, but South Korea will be cautious to avoid destabilising relations with that country, its largest trading partner. China's help is also needed to contain the military threat from North Korea. However, South Korea will gradually reduce its economic dependence on China through production and supply-chain diversification.

Relations with Japan improved in March after South Korea dropped demands for Japanese companies to compensate Korean victims of forced labour during Japan's colonial rule. This will facilitate bilateral defence co-operation and intelligence-sharing regarding North Korea's missile threat and the rising military and economic prowess of China. However, historical and territorial disputes have not been resolved, and these will resurface periodically.

Policy trends

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The government will seek to implement the five-year economic plan that was unveiled in 2022. It focuses on deregulation and tax cuts to encourage private-sector investment and employment. The government will look to cut the maximum rate of corporate tax from 25% to 22% (the average rate in OECD countries), in addition to introducing reductions in property tax for single-home owners and capital gains tax. Tax incentives will be provided for key industries such as microchips, batteries and panel displays, with the aim of promoting manufacturing competitiveness and encouraging reshoring. We expect the proposed measures to increase the competitiveness of the country's large export-oriented companies, but parliament is unlikely to pass the reduction of the top rate of corporate tax.

The government's plan in March to raise the maximum working week to 69 hours, from an existing cap of 52 hours, was foiled by widespread opposition from trade unions and young employees. Demographic ageing and low fertility rates mean that labour shortages will be a persistent feature in the medium and long term, weighing on growth prospects. This will force the government to increase expenditure on childcare support, public healthcare and social care services.

The government will uphold plans to achieve carbon neutrality by 2050, although in the near term it will support steady growth in the oil and petrochemical industries to improve energy security and support exports. It will encourage investment in electric vehicles (EVs) and charging

infrastructure. Offshore wind power will be the main focus of renewable energy development. Unlike its liberal predecessor, Yoon Suk-yeol's administration will embrace nuclear power as a clean alternative power source and will promote exports of nuclear technology.

Fiscal policy

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The pandemic triggered a break from the country's traditional conservative fiscal policy, which will keep the public finances in the red throughout 2023-27. As well as welfare and employment support, public spending will prioritise research and development in the manufacturing and technology sectors.

An anticipated global and domestic economic slowdown in 2023, and the resulting demand for fiscal support for low-income households and small businesses, will delay the government's efforts to consolidate the public finances. In its state budget proposal for 2023, the government promises a return to prudent fiscal policy, with planned expenditure of W639trn (US\$514bn)—5.9% smaller than the total fiscal outlay in 2022 (including two supplementary budgets). The budget plans to reduce the fiscal deficit to the equivalent of 0.6% of GDP in 2023, from an estimated 2.8% of GDP in 2022. We believe that this target is unlikely to be achieved, as tax revenue will underperform the projected figure because of the economic slowdown and a rise in unemployment. Moreover, additional fiscal spending, in the form of a supplementary budget, will be needed to support low-income households. Consequently, we forecast that the fiscal deficit will be equivalent to 2.1% of GDP in 2023.

Beyond 2023, growing pension and healthcare requirements, resulting from a shrinking working-age population, will exacerbate the burden on the public finances. However, faster economic growth and rising tax revenue will aid the government's efforts at fiscal consolidation from 2024 onwards. As a result, we forecast that the fiscal deficit will narrow to 1% of GDP by 2027. Persistent shortfalls on the fiscal account will increase government bond issuance, keeping public debt above 50% of GDP throughout the forecast period. However, government debt will remain low by the standards of the OECD (where it averaged above 100% of GDP in 2021), with repayment risks contained by the fact that debt is mainly held domestically.

Monetary policy

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We expect the Bank of Korea (BOK, South Korea's central bank) to pause its monetary policy tightening in 2023, after it made a 25-basis-point increase in its policy rate in January, leaving the rate at a peak of 3.5%—its highest mark since 2008. High levels of household debt, much of which is attached to floating interest rates, will discourage further rate rises. Meanwhile, moderating domestic inflation and slowing monetary policy tightening in the US will reduce pressure on the BOK to tighten policy further. Elevated interest rates will increase the debt-repayment burden on businesses and households. This will constrain growth in household spending and business investment, undermining the performance of consumer-facing firms.

We expect the central bank to ease its monetary policy stance by making two 25-basis-point cuts to the policy rate in 2024, to support economic growth, boost export competitiveness and reassure

the financial markets through fresh liquidity. We expect the BOK to keep the policy rate unchanged for an extended period after that, amid stable economic growth and benign inflation.

Global forecast data

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	2022	2023	2024	2025	2026	2027
Economic growth (%)						
US GDP	2.1	0.7	1.2	2.0	2.1	1.9
OECD GDP	2.8	0.8	1.5	1.9	2.0	1.9
World GDP	3.1	2.0	2.5	2.7	2.7	2.7
World trade	4.3	2.1	3.3	3.6	3.7	3.8
Inflation indicators (% unless otherwise indicated)						
US CPI	8.0	4.0	2.2	1.9	2.0	2.1
OECD CPI	8.9	5.7	2.8	2.3	2.1	2.1
Manufactures (measured in US\$)	-0.4	5.6	4.9	3.6	3.1	2.4
Oil (Brent; US\$/b)	99.8	87.0	85.0	81.0	76.7	71.8
Non-oil commodities (measured in US\$)	14.6	-9.0	-2.1	-0.7	-1.5	-1.5
Financial variables						
US\$ 3-month commercial paper rate (av; %)	2.1	5.1	5.0	4.0	3.1	2.6
¥:US\$ (av)	131.5	123.6	110.6	107.8	110.3	108.8
W:US\$ (av)	1,291	1,250	1,193	1,136	1,120	1,129
US\$:€ (av)	1.05	1.09	1.13	1.15	1.17	1.18

Economic growth

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We forecast that real GDP growth will decelerate to 1.5% in 2023, following an expansion of 2.6% in 2022. The economy will contract on a sequential basis for a second consecutive quarter in January-March, as demand continues to weaken both externally and domestically. The slowdown will result mainly from declining demand in the US and the EU for South Korean goods, including electronics, motor vehicles and petrochemicals. A downward cycle in global consumer electronics will also dampen demand for low-end semiconductors and panel screens in 2023, weighing further on the export-oriented manufacturing sector.

Private consumption will remain an important economic driver in the forecast period. However, growth in household spending will be constrained in 2023 by a growing debt-repayment burden. Gross fixed investment will recover in 2023 from a contraction in 2022, but grim business sentiment, high operational expenses and rising borrowing costs will cap this recovery. Higher interest rates will be particularly damaging for small businesses, which have fewer financial resources to manage rising debt-servicing costs, and for highly leveraged companies in the

construction sector. Investment spending will pick up gradually in the following years. This upturn will be led by infrastructure construction and the semiconductor, battery, bio-health and artificial intelligence industries, which will enjoy tax incentives. Economic growth will strengthen in 2024-25, as a recovery in external demand and the central bank's easing of monetary policy will facilitate employment growth and encourage business investment.

In the long run, we do not expect South Korea to depart from its export-led growth model, with the economy remaining heavily dependent on external demand for integrated circuits, consumer electronics and cars. EVs will provide fresh momentum for the domestic automotive and battery sectors, although activity will remain export-reliant. Electronics exporters will focus on mid-to-high-end semiconductors and advanced panels, with their share of low-end electronic products being taken by rival Chinese manufacturers.

Economic growth

%	2022 ^a	2023 ^b	2024 ^b	2025 ^b	2026 ^b	2027 ^b
GDP	2.6	1.5	2.5	2.8	2.7	2.9
Private consumption	4.3	1.8	2.5	2.7	2.4	2.7
Government consumption	4.1	3.5	3.7	4.1	4.0	4.2
Gross fixed investment	-0.8	2.0	2.4	2.9	2.7	2.5
Exports of goods & services	3.3	-0.1	2.7	3.2	3.6	3.8
Imports of goods & services	3.7	2.0	3.1	4.3	4.0	3.5
Domestic demand	2.8	1.8	2.7	3.2	2.8	2.7
Agriculture	-1.1	10.5	2.1	1.7	2.7	1.8
Industry	1.3	3.8	2.6	2.7	2.6	3.0
Services	4.2	-0.3	2.5	2.9	2.8	2.9

^a EIU estimates. ^b EIU forecasts.

Inflation

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We forecast that consumer prices will rise by an average of 2.8% in 2023, slowing from 5.1% in 2022. Consumer spending on discretionary goods and services will weaken this year, in the face of higher interest rates and rising unemployment.

Prices for energy will remain high (imports account for more than 90% of South Korea's energy consumption), but we believe that further strong growth is unlikely in 2023. Broad inflationary pressures will ease. Higher borrowing costs will curb growth on the demand side, and inflationary pressure from high commodity prices and supply bottlenecks will subside.

Subdued consumer demand and falling global commodity prices will push consumer price inflation below 1% in 2024, before the rate accelerates gradually in the latter half of the forecast period, on moderately stronger wage growth.

Exchange rates

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The won will remain under moderate depreciatory pressure vis-à-vis the US dollar before interest rates in the US peak around mid-2023. The direction of the exchange rate will reverse subsequently, causing the won to appreciate against the US dollar by the end of this year. This will be supported by a widening current-account surplus and deep foreign-exchange reserves. On balance, we forecast the currency to appreciate to W1,210:US\$1 by the end of 2023, from W1,267:US\$1 a year earlier.

Intensifying geopolitical tension in North-east Asia, particularly relating to the Taiwan Strait and North Korea, will be a longer-term depreciatory factor for the won. With an economy heavily reliant on trade with both China and the US, South Korea would experience severe economic and supply-chain disruption in the event of a regional military conflict (which lies outside our forecast).

External sector

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Merchandise exports will decline in 2023, but moderating global commodity prices and a stronger won will reduce the import bill, which will result in a widening of the trade surplus. Despite continued strong demand for speciality semiconductors for the automotive industry, overall shipments of semiconductors will drop in 2023 as demand for consumer electronic devices wanes and the upgrade and expansion of business information technology slows. Services exports will increase, owing to a notable recovery in tourism (particularly in the second half of the year) as the number of Chinese visitors rebounds. Growth will continue in the country's flourishing creative industries (including films, music and video games). We forecast that the current account will record a surplus equivalent to 2.6% of GDP in 2023.

A full recovery in tourism-related exports will remain elusive until at least 2024. The primary income account will record surpluses in 2024-27, when the current-account surplus will average 2.9% of GDP.

South Korean manufacturers of semiconductors, vehicles and batteries will accelerate efforts to relocate and diversify production in 2023-27. This will not be driven by cost considerations, but rather geopolitical pressure to strengthen supply-chain resilience and security. It will also reflect an aim of serving local customers in destination markets better, against the backdrop of increasing trade regionalisation.

Country forecast overview: Business environment rankings

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Value of index ^a		Global rank ^b		Regional rank ^c	
2018-22	2023-27	2018-22	2023-27	2018-22	2023-27
7.37	7.64	25	20	7	6

^a Out of 10. ^b Out of 82 countries. ^c Out of 17 countries: Australia, Bangladesh, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Pakistan, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand and Vietnam.

- South Korea's business environment will improve in 2023-27, leading to a rise in its ranking both in the region and globally. Steady progress will be driven by policies that are friendly to private enterprise and foreign trade.

Business environment at a glance

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February 3rd 2023

Policy towards private enterprise and competition

2023-24: The government will employ tax reduction and other incentives to support research and innovation by small and medium-sized businesses in electronics, batteries and high-tech materials industries.

2025-27: The government reduces bureaucracy to encourage business diversification and merger-and-acquisition activity.

Policy towards foreign investment

2023-24: Industrial policy promoting vertical integration in major export industries aims to attract domestic and foreign suppliers to locate supply-chain operations in South Korea. However, success is mixed, owing to high input costs.

2025-27: Incentives are introduced to encourage foreign investment and collaboration in advanced manufacturing, and to loosen restrictions on foreign investment in services segments aimed at supporting the ageing population.

Foreign trade and exchange controls

2023-24: South Korea formalises its application to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), in search of deepening trade ties and policy alignment with trading partners in the region.

2025-27: South Korea deepens its participation in US-led efforts to establish secure and resilient supply chains.

Taxes

2023-24: The government delays a proposed capital gains tax and reduces property tax for single-home owners.

2025-27: The highest rate of corporate tax is reduced from 25% to 22% (the average level among OECD countries).

Financing

2023-24: The government promotes internationalisation of the currency, the won, by removing barriers to global banks' participation in the local interbank currency market and phasing out controls on domestic banks' currency positions.

2025-27: The long-standing "financial hub" strategy makes modest progress in attracting foreign investment in the country's financial sector, although South Korea continues to struggle to compete with Tokyo (Japan's capital) and Singapore.

The labour market

2023-24: The government increases the flexibility of regulations on working hours.

2025-27: The government introduces reforms to the national pension programme to make public pension finances more sustainable in the long term.

Infrastructure

2023-24: The government promotes infrastructure upgrade programmes that focus on industrial digitisation and integration.

2025-27: The construction of a new international airport in Busan boosts related infrastructure spending.

Technological readiness

2023-24: Deepening penetration of the 5G network and the rise of the platform economy drive technological upgrade.

2025-27: Early applications of 6G telecommunications technology surface.

Market opportunities: Social indicators and living standards

[South Korea](#) | [Business](#) | [Market opportunities](#) | [Social indicators and living standards](#)

May 16th 2022

Social indicators and living standards

	2021		2026	
	South Korea	Asia & Australasia (av)	South Korea	Asia & Australasia (av)
Health				
Healthcare spending (% of GDP)	8.5	6.4	8.6	6.3
Healthcare spending (US\$ per head)	2,978	575	3,762	708
Infant mortality rate (per 1,000 live births)	2.9	20.2	2.7	19.3
Physicians (per 1,000 population)	2.6	1.4	2.8	1.5
Food and beverages				
Food, beverages & tobacco (% of household spending)	14.1	26.0	13.3	26.3
Meat consumption (kg per person)	72.7	35.9	83.1	36.4
Milk consumption (litres per person)	31.1	73.5	34.3	82.7
Coffee & tea consumption (kg per person)	1.4	1.3	1.7	1.4
Consumer goods in use (per 1,000 population)				
Passenger cars	398	110	454	121
Telephone main lines	447	89	380	72
Mobile phone subscribers	1,420	1,110	1,610	1,180
Television sets	871	708	982	896
Personal computers	729	395	730	425
Households				
No. of households (m)	20.7	992.4	22.1	1,052.3
No. of people per household (av)	2.5	3.8	2.3	3.7
Income and income distribution				
Median household income (US\$)	38,840	13,370	42,470	16,540
Average monthly wage (US\$)	3,170	990	3,700	na
Gini index	31.4 ^a	–	–	–

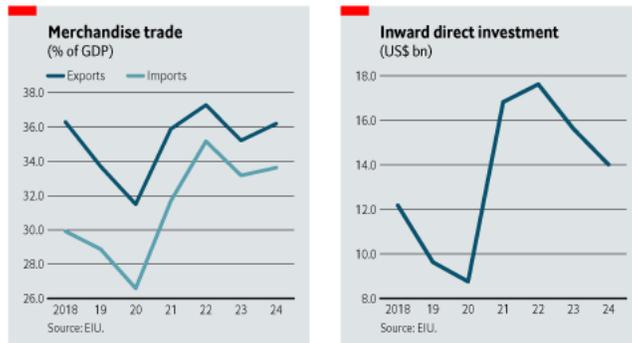
^a Latest available year.

Sources: UN Statistical Office; World Bank; Food and Agriculture Organisation (FAO); Euromonitor; World Health Organisation (WHO); national statistical offices; International Telecommunication Union (ITU); EIU estimates and forecasts.

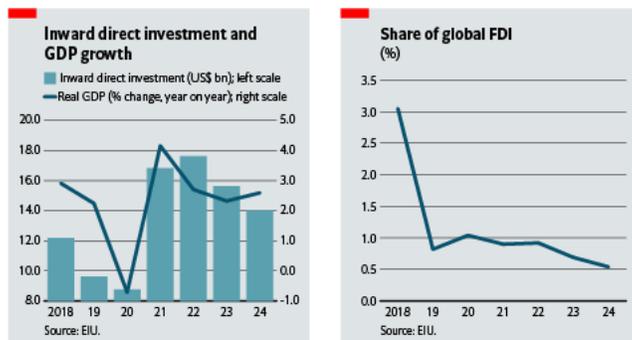
Global position

[South Korea](#) | [Regulation](#) | [Global position](#)

August 1st 2022



South Korea remains relatively open to foreign direct investment, as it recognises the role that foreign firms play in creating jobs and adding to economic growth. The country's extensive free-trade agreements provide a regulatory environment conducive to attracting foreign capital. The government aims to build South Korea into a global powerhouse of high-tech industries by investing in the already excellent digital and physical infrastructure, fostering the development of indigenous start-ups and encouraging research and development. However, rising wages, the relatively low level of corporate transparency, the prevalence of unofficial government meddling and negative public sentiment towards foreign ownership of domestic assets have remained as obstacles for investors. In the first quarter of 2021 South Korea became one of the first OECD countries to restore its economy to its pre-coronavirus (covid-19) size. Merchandise exports will continue to grow in 2022, underpinned by sustained business demand for semiconductors and moderate consumer demand growth in the US and Asian markets. The election of President Yoon Suk-yeol in March 2022 marks the political comeback of conservatives in South Korea amid growing public dissatisfaction with the previous liberal government. The new administration has promised to reduce taxes, slow the growth of minimum wage and deregulate the labour market. However, South Korea's trade unions are powerful, and Yoon Suk-yeol's plans are likely to face strong opposition.



Regulatory/market assessment

[South Korea](#) | [Regulation](#) | [Regulatory/market assessment](#)

August 1st 2022

- President Yoon Suk-yeol of the conservative People Power Party, who took office in May 2022, has adopted a business-friendly economic agenda in line with traditional conservative economic policies. In June 2022 he unveiled a new five-year economic plan, which focuses on reducing state intervention in the market, lowering the corporate tax (from a top rate of 25% to 22%) and undertaking structural reform in several sectors.
- In July 2022 the administration of Yoon Suk-yeol unveiled a new energy plan, which aims to lower the country's dependence on imported fossil fuels to under 70% by 2030, down from

81.1% in 2021. The shortfall is to be met in part by increasing the share of nuclear energy from 27.1% in 2021 to 30% by 2030.

- In June 2022 the Minimum Wage Commission recommended a minimum hourly wage of ₩9,620 for 2023, up 5% from the 2022 pay floor. The administration of Yoon Suk-yeol is against a nationwide minimum wage and may seek to implement different pay floors across different regions.
- In January 2022 the National Assembly (the unicameral parliament) passed the Act on Special Measures for Strengthening and Protecting the Competitiveness of National Cutting-Edge Strategic Industries. Once it takes effect, likely in August 2022, the act will provide strategic industries with regulatory relief for infrastructure set-up and financial support. Semiconductor and battery manufacturers are expected to be covered, although details have yet to be announced.
- South Korea is party to the Regional Comprehensive Economic Partnership, which the Association of South-East Asian Nations signed with its free-trade partners in 2020 and which went into force in January 2022. In April 2022 South Korea also applied to join the 11-member Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a mega-regional trade deal. CPTPP accession is likely but will take several years to complete.
- In October 2021 South Korea was among the more than 130 countries that endorsed the OECD's global tax deal, aimed at taxing multinational companies and their digital activities more effectively. Once adopted, possibly in 2023, it would introduce sweeping changes to international tax rules, including a 15% minimum corporate tax and provisions to tax large companies based on where their goods and services are sold.

Regulatory/market watch

[South Korea](#) | [Regulation](#) | [Regulatory/market watch](#)

August 1st 2022

- Yoon Suk-yeol of the conservative People Power Party won the presidential election in March 2022 by a narrow margin. The liberal Minjoo Party (the main opposition) controls a large majority in the National Assembly (the unicameral parliament). This will keep domestic party politics confrontational, jeopardising policy efficacy.
- Since early 2020, the government has implemented a number of initiatives to help prevent the spread of the coronavirus (covid-19) outbreak. Its pandemic response has relied on a combination of mass testing, contact tracing, targeted quarantines and a multi-tier social-distancing system. By April 2022, most coronavirus restrictions had been fully lifted. As of end-July 2022, 86% of the population had received a full course of coronavirus vaccination.
- Since the onset of the pandemic, the government has introduced a series of supplementary budgets to support economic recovery. In May 2022 Yoon Suk-yeol unveiled the country's largest-ever supplementary budget, totalling ₩59.4trn. Its priorities include supporting small businesses hit hard by the pandemic and individuals vulnerable to high inflation.
- Relations with Japan remain tense, resulting from long-standing disputes over historical issues that have their origins in Japan's colonial rule over the Korean peninsula. However, Yoon Suk-yeol will work to improve bilateral relations and has indicated a willingness to set aside historical disputes to end bilateral trade conflicts and enhance security ties.
- Relations with the US will move beyond their traditional focus on defence issues, including in the areas of semiconductors and battery supply chains. Nevertheless, South Korea will avoid destabilising relations with China, its largest trading partner, and will delay choosing

sides in the US-China rivalry while accelerating efforts to reduce its economic dependence on China via production and supply-chain diversification.

Long-term outlook: The long-term outlook

[South Korea](#) | [Economy](#) | [Long-term outlook](#) | [Long-term outlook](#)

May 16th 2022

	2022-30	2031-50	2022-50
Population and labour force (% change; annual av)			
Total population	-0.03	-0.44	-0.31
Working-age population	-1.07	-1.53	-1.38
Working-age minus total population	-1.04	-1.09	-1.07
Labour force	-0.45	-1.23	-0.99
Growth and productivity (% change; annual av)			
Growth of real GDP per head	2.8	3.0	3.0
Growth of real GDP	2.7	2.6	2.6
Labour productivity growth	3.0	3.9	3.6
Growth of capital stock	3.1	3.1	3.1
Total factor productivity growth	1.9	2.3	2.2

Initial conditions: South Korea has stood out as one of the few emerging markets to make a successful transition to the ranks of developed economies. However, the next 30 years or so will bring a new set of challenges. As demographic ageing takes hold, South Korea risks stagnating in much the same way as Japan has done since the 1990s. South Korea has outstanding educational standards, which will ensure that the population remains productive, despite a decline in the overall workforce. It will need to reduce its overreliance on large family-run conglomerates, or chaebol, in order to improve competitiveness. However, the biggest impact over the next 30 years may come from events over the border in North Korea and how successive governments choose to respond.

Demographic trends: South Korea's demographic trends are unfavourable, as it will experience rapid demographic ageing in the next few decades. EIU expects that the total population will shrink in 2022-30 and continue to decline in 2031-50. South Korea currently has one of the lowest fertility rates in the world, at 0.81 births per woman in 2021, and there are few signs that fertility will pick up in the near future, despite the government's efforts to provide cheaper and better childcare and other benefits. Immigration will remain unpopular and will have only a marginal impact in the period to 2050. Increasing female participation in the workforce will be a policy objective for successive governments, but it is doubtful whether they will achieve much success. Moreover, if not combined with sufficient childcare initiatives and labour market reforms, a rise in the female participation rate will lead to a persistently low birth rate. It is likely to prove easier to persuade more people in their 60s and 70s to continue working for longer, which will ease the costs for society of looking after the rising number of elderly.

External conditions: Despite the efforts of the previous government, South Korea remains overly dependent on export-oriented manufacturing, particularly to provide employment and drive wage growth. However, this sector faces significant headwinds, not least because of rising competition from neighbouring countries such as China and Taiwan. Recognising this challenge, successive governments have sought to bolster South Korea's trading position regionally through free-trade agreements (FTAs) with important trading partners. Not only has it completed such deals with the

EU (2011) and the US (revised in 2019), but in 2015 it finally signed a deal with China, its largest trading partner. The need for a trilateral FTA between Japan, South Korea and China has diminished following the conclusion of the Regional Comprehensive Economic Partnership (RCEP), a mega-regional trade deal, which became effective in 2022. The RCEP includes all three countries and will facilitate trade flows between them, while also bolstering South Korea's trade and investment ties with the member states of the Association of South-East Asian Nations (ASEAN). Despite a turn to a more protectionist attitude towards trade and foreign investment in many countries, South Korea will remain a strong proponent of trade liberalisation. As part of its "New Southern Policy", it will work with ASEAN and India to strengthen trade links. Meanwhile South Korean firms will continue to move production abroad—particularly to South-east Asian countries such as Vietnam, where they are already among the largest investors. This will help firms to keep a lid on costs and also to gain better and closer access to growing markets.

Institutions and policy trends: Over the longer term South Korea will attempt to open its economy more fully to competition as it strives also to diversify its economy. The privileged position of the chaebol industrial groups will also be eroded, and foreign firms will be allowed to compete more freely in the domestic market. The outlook for reform is positive at present, and it is also likely that the industrial structure will have adjusted organically to changing market dynamics by 2050. The expanding presence of foreign investors will force change in areas such as corporate governance, although future governments are likely to take a piecemeal approach towards deregulation.

Long-term performance: Between 2022 and 2050 the working-age population will contract by nearly 1.4% per year. This will inevitably exert a drag on economic growth, with real GDP expected to rise by just 2.6% per year over the period. The country's ability to maintain its global lead in information technology or to diversify its export base will be an important driver of growth. The services sector will also play an increasingly important role. Less predictable is how the impact of changes in North Korea will affect the country. Should North Korea reform, it could lead to a surge in crossborder trade that would lift potential economic growth in the South. Collapse or conflict in the North, by contrast, could throw South Korea into a hard recession. Any sudden reunification with the North would also have significant consequences, but the potential for catch-up in the North suggests that the peninsula's economy as a whole could grow at a rapid pace for decades after reunification. Our view is that the current two-state situation will persist until 2050, with North Korea retaining its nuclear weapons.

Income and market size

	2021	2030	2050
Income and market size			
Population (m)	51.3	51.2	46.8
GDP (US\$ bn at market exchange rates)	1,797.7	2,896.9	11,767.7
GDP per head (US\$ at market exchange rates)	35,040	56,630	251,290
Private consumption (US\$ bn)	832.6	1,303.9	5,160.5
Private consumption per head (US\$)	16,230	25,490	110,200
GDP (US\$ bn at PPP)	2,543.8	4,089.8	10,118.0
GDP per head (US\$ at PPP)	49,580	79,950	216,060
Exports of goods & services (US\$ bn)	748.7	1,425.6	8,897.0
Imports of goods & services (US\$ bn)	684.1	1,366.4	8,687.9
Memorandum items			
GDP per head (at PPP; index, US=100)	71.8	81.7	116.3
Share of world population (%)	0.7	0.6	0.5
Share of world GDP (% at market exchange rates)	1.9	2.0	3.1
Share of world GDP (% at PPP)	1.8	1.8	1.9
Share of world exports of goods & services (%)	2.7	3.3	7.0

Automotive

[South Korea](#) | [Automotive](#) | [Overview](#)

January 16th 2023

- South Korea is the world's fifth-largest producer of motor vehicles, based on output in 2021, according to the International Organisation of Motor Vehicle Manufacturers (OICA). The South Korean automotive sector is geared towards exports, which accounted for 61.2% of domestic production, and domestic sales based on finished-vehicle sales volume in the first 11 months of 2022.
- South Korean-based Hyundai Motor Company and its sister companies Kia and Genesis (all part of Hyundai Motor Group) are the country's flagship manufacturers of both internal combustion motor vehicles and electric vehicles (EVs), with a growing global market share. The three automakers enjoy strong policy support from the government. Together they ranked as the world's fourth-biggest vehicle-making group by sales in 2021, behind Toyota (Japan), Volkswagen Group (Germany) and the Renault-Nissan-Mitsubishi alliance (France-Japan).
- The coronavirus pandemic had a mixed impact on the South Korean new-car market in 2020-22. Domestic new vehicle sales by volume grew by 7.2% in 2020, before falling back by 8.4% in 2021. In January-November last year the segment expanded by 3.1% once more, according to the Ministry of Trade, Industry and Energy (MOTIE). Although pandemic restrictions were partly responsible for reduced sales, the South Korean economy, which relies heavily on international trade, is particularly vulnerable to glitches in global supply chains and cyclical swings in global demand.

- Any repeat of the global supply-chain disruption seen in 2021-22 will add to the operational challenges facing the automotive sector. EIU does not expect global supply-chain conditions, including the semiconductor shortage, to ease until 2024 at the earliest. Production and sales volumes in South Korea will remain subdued, as will the new-vehicle market.
- South Korea is participating in the US-led realignment of the global supply chain under the Indo-Pacific Economic Framework for Prosperity (IPEF). In June 2022 MOTIE launched a government-industry roundtable to work out South Korea's strategy for global supply-chain realignment. The Korean Automobile Manufacturers' Association (KAMA) is one of the private-sector partners.
- However, the US-South Korea supply-chain co-operation initiative is facing a stumbling block over the Inflation Reduction Act (IRA), which excludes foreign manufacturers from federal tax credits of up to US\$7,500 for EV purchases in the US. The South Korean government and industry are currently engaging with US stakeholder communities to extend the IRA's tax incentives or secure an offset for Hyundai and Kia operating in the US market. Negotiations are also on to extend US EV incentives to Hyundai's upcoming US\$5.5bn "Metaplant" making EVs and batteries in the US state of Georgia.
- South Korea has two economic security laws relevant to the automotive sector. The 2020 Act on Special Measures for Strengthening the Competitiveness of Materials, Components, and Equipment Industries is aimed at localising key components of the industry supply chain. The 2022 Special Measures Act on Strengthening and Protecting the Competitiveness of National High-Tech Strategic Industries covers EV batteries for specialised policy support, which includes the production of proprietary technology.
- The government's industrial policy of promoting alternative energy vehicles, as well as technologically advanced models from automakers, will support sustained automotive export growth in our forecast period (2023-27), which will offset subdued growth in domestic demand. In December 2021 the government released a longer-term plan to increase the cumulative registration number of EVs to about 4m in 2030, compared with less than 230,000 in 2021. We believe that this target will be narrowly missed.
- In March 2021 MOTIE launched a self-driving innovation task force to steer the development of Level 4 vehicle autonomy. The project aims to develop, by 2027, self-driving vehicles requiring minimal driver involvement.



Consumer goods

[South Korea](#) | [Consumer goods](#) | [Overview](#)

March 3rd 2023

- South Korea has a large, affluent consumer sector, with households' monthly disposable income averaging W3.91m (US\$2,970) in the fourth quarter of 2022. Unemployment stood at 2.9% in 2022, but the rate is likely to increase in 2023 as economic growth slows down. Minimum-wage levels in South Korea are among the highest in the world, but elevated inflation will weigh on consumers' real disposable income.

- The rise in the cost of living will not be as severe as in parts of the Western world, despite South Korea's high dependence on food and energy imports. The government heavily regulates the prices of electricity and fuel, mitigating the impact on households. Furthermore, the share of food in total imports remains low. The government's issuance of food and energy vouchers to low-income households will offer some relief.
- South Korea's post-pandemic economic strategy prioritises digitalisation. Innovation in digital technology will remain high on the government's policy agenda, making e-commerce an important part of retail strategy, even though the return of in-person shopping and in-store purchases reduces the pace of growth in e-commerce from pandemic-era levels.
- Private consumption is an important economic driver for the country. The retail and wholesale sector, including hotels and restaurants, accounts for nearly 10% of nominal GDP. Geographically, Seoul (the capital) generates about 45% of retail and wholesale volume, even though it is home to only one-fifth of the country's 52m population. However, growth in private consumption will be slow in 2023 because of high debt repayment burdens.
- The government's industrial policy will continue to play a catalyst role in the evolution of the retail sector. Two national plans exist to steer retail industry growth: the former, which is updated every five years, has a current focus on promoting balanced growth between large and smaller retailers. The latter, released in March 2021, calls for the development of digital data infrastructure to support e-commerce and the globalisation of e-commerce operators across international markets.

Retail sales

	2018 ^a	2019 ^a	2020 ^b	2021 ^b	2022 ^b	2023 ^c	2024 ^c	2025 ^c	2026 ^c	2027 ^c
Retail sales (W trn)	393.4	401.8	398.5	441.4	468.8	478.9	493.9	511.0	527.1	546.8
Retail sales (US\$ bn)	357.6	344.8	337.7	385.9	363.0	393.2	414.1	449.9	470.7	484.4
Retail sales, volume growth (%)	2.2	1.7	-1.3	8.1	1.1	-0.6	2.2	2.4	1.9	2.4
Retail sales, US\$ value growth (%)	6.6	-3.6	-2.1	14.3	-5.9	8.3	5.3	8.6	4.6	2.9
Non-food retail sales (US\$ bn)	205.9	198.8	198.0 ^a	232.1	222.3	238.9	249.3	271.6	284.8	294.0
Food retail sales (US\$ bn)	151.7	146.0	139.7	153.8	140.7	154.3	164.8	178.3	185.9	190.5
Consumer price inflation (av; %)	1.5	0.4	0.5 ^a	2.5 ^a	5.1 ^a	2.8	0.9	1.0	1.2	1.3

^a Actual. ^b EIU estimates. ^c EIU forecasts.

Sources: Edge by Ascential; EIU.

Energy

[South Korea](#) | [Energy](#) | [Overview](#)

January 10th 2023

- South Korea's export-oriented manufacturing and urbanised consumer sector give it a highly energy-intensive economy, but a lack of natural resources leaves the country dependent on imports to meet 82% of its energy demand. Stable geopolitical environment and ties with major oil, gas and coal exporters are essential to South Korea's energy security. This reliance will persist during the EIU's forecast period (2023-32).
- South Korea's government joined other countries in sanctioning Russia, after that country's military invaded Ukraine in February 2022. Long-term instability in global energy supply chains can have significant repercussions for South Korea, but in 2023 we expect the fallout to be limited, as most of South Korea's oil and gas is imported via long-term contracts, and

coal imports from other countries are helping to replace some of the foregone Russian supplies.

- The victory of the People Power Party in the presidential election in March 2022 could lead to obstacles in policymaking and implementation of decarbonisation efforts, especially amid concerns about rising energy prices. The new government has made moves to reverse prior efforts to phase out nuclear power. The Minjoo Party, which has a majority in parliament, seeks to curb nuclear power and coal usage in the long term, while boosting the share of renewables and natural gas in the energy mix.
- Domestic energy consumption is expected to remain broadly flat in 2023 as we expect real GDP growth to decelerate from an estimated 2.6% in 2022 to 1.5% in 2023. A global economic slowdown will curb external demand for South Korean goods and services, while firm inflation, higher borrowing costs and waning consumer demand will weigh on economic activity at home. We expect that this demand will grow at an annual average of 0.8% in the forecast period, reaching about 313.9m tonnes of oil equivalent (toe) in 2032.
- South Korea's demand for coal, which constitutes a quarter of the energy mix, is expected to fall by an annual average of 1.5% in 2023-32, while consumption of oil and natural gas will increase by an annual average of 1% and 1.3% respectively. Domestic electricity demand will also grow during the forecast period, by an average of 1.1% per year.
- South Korea is one of the world's top emitters of greenhouse gases (GHGs). It also has a carbon market with a mandatory cap-and-trade scheme for permits to emit GHGs—measured as carbon-dioxide (CO₂) equivalents—that came into effect in 2015. We expect the country's carbon emissions from fuel combustion to increase for most of the forecast period, and start decreasing towards the end.

Energy: key indicators

	2021 ^a	2022 ^b	2023 ^c	2024 ^c	2025 ^c	2026 ^c	2027 ^c	2032 ^c
GDP (US\$ bn at market exchange rates)	1,811	1,662	1,739	1,911	2,073	2,176	2,217	3,056
Real GDP (% change, year on year)	4.1	2.6	1.5	2.3	2.8	2.7	3.0	2.2
Population (m)	51.8	51.8	51.8	51.7	51.7	51.6	51.6	51.0
Population (% change, year on year)	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3
Gross domestic energy consumption (ktoe)	290,121	291,181	292,362	294,935	301,331	304,697	306,830	313,864
Gross domestic energy consumption (% change, year on year)	5.1	0.4	0.4	0.9	2.2	1.1	0.7	-0.1

Note. Forecasts for all dates are available via EIU's data tool.

^a Actual. ^b EIU estimates. ^c EIU forecasts.

Sources: EIU; © OECD/IEA 2018 IEA statistics, www.iea.org/statistics, licence: www.iea.org/t&c.

Financial services

[South Korea](#) | [Finance](#) | [Overview](#) | [Financial services](#) | [Overview](#)

February 1st 2023

- A robust economic recovery, coupled with stimulus measures, contributed to the expansion of the South Korean financial services sector in 2021-22 in the wake of the coronavirus outbreak. However, worldwide inflation and supply-chain disruption in 2022 have set the stage for slowing growth in the 2023-27 forecast period. The operating environment for South Korea's financial sector has become more challenging for non-bank players amid a surge in the cost of capital, although banks are relatively well positioned to absorb the rising

cost of funds. Financial regulators remain alert to financial market instability in 2023 even as inflation and tightening appear to be moderating.

- The statutory change of government every five years took place in May 2022, with the left-leaning administration of Moon Jae-in succeeded by a right-of-centre government led by Yoon Suk-yeol, who was elected president in March 2022. However, the 300-seat single-chamber National Assembly (parliament) is dominated by the opposition Minjoo Party, which has a solid majority over the ruling conservative People Power Party.
- The new government is carrying forward much of the previous government's policy agenda on the financial sector, including the promotion of financial technology (fintech) and inbound and outbound globalisation. EIU expects a greater orientation towards pro-growth and pro-business policies to be sustained during the 2023-27 forecast period, in a departure from the previous government's focus on income redistribution and increased fiscal spending.
- The government will employ deregulation and tax cuts to spur investment and job creation in the private sector, but fiscal policy will shift towards consolidation from 2023. We expect South Korea's real GDP growth to decelerate from 2.6% in 2022 to 1.3% in 2023. We forecast a recovery thereafter, with GDP expanding by an average of 2.7% per year in 2024-27.
- Finance and insurance accounted for 6.2% of GDP in 2022, according to the Bank of Korea (BOK, South Korea's central bank)—a proportion that has remained largely stable since the global financial crisis of 2008-09. The sector employed about 774,000 workers in 2022, or 2.8% of the national labour force; it engaged a somewhat larger 3.4% of the workforce a decade earlier. The industry supports the country's enormous export-oriented manufacturing sector, which accounted for 26.8% of GDP in 2022.
- On the whole, the country has a highly developed financial services sector, which is open to the international movement of money and adaptive to advances in technology, with regulators largely supportive of deregulation and liberalisation. The industry is supported by 52m generally affluent consumers, including a rising immigrant population. South Korea is a net creditor country: external credit exceeded external debt by US\$380bn at end-September 2022, according to the Ministry of Economy and Finance (MOEF).
- The stability of the financial sector is supported by well-capitalised banks and robust financial supervision. However, growing household debt (fuelled by house price inflation and increased mortgage borrowing demand) could pose a long-term risk to the financial sector and the economy as a whole. A clampdown on household debt will continue to be a high policy priority, with banks remaining under pressure to rebalance household lending portfolios.
- The BOK appears to be nearing the end of its monetary policy tightening, which began in August 2021, with the terminal policy rate at 3.5%. The correction cycle of the value of South Korea's currency, the won, against the US dollar will moderate in 2023, when we expect a pause in US monetary policy tightening. South Korea's sustained current-account surplus will continue to support the won in the forecast period.
- Rising interest rates have begun to put strains on the weak links of the financial sector. In October 2022 the MOEF announced a money-market stabilisation programme to pump liquidity into the market for corporate bonds and commercial paper. Financial regulators issued guidance for the banking sector to place curbs on bond financing to help to improve tightening money-market conditions for non-bank financial institutions. In October 2022 Korea Securities Finance, a lynchpin financial institution providing liquidity support for the capital market, started to release collateralised loans as part of a liquidity support programme to prop up smaller South Korean securities companies. The banking sector as a whole has been supplying additional liquidity to the tune of W95trn (US\$75bn) through purchases of commercial paper since November 2022, according to the Financial Services Commission (FSC, the regulator).
- Local financial firms will accelerate their globalisation drive in the 2023-27 forecast period, while closing physical branches in their home market amid the increasing adoption of digital

business models. The sector will embrace greater use of technology across the banking, insurance and brokerage sectors, aided by a conducive regulatory environment and a highly developed digital infrastructure.

Healthcare

[South Korea](#) | [Healthcare](#) | [Spending](#)

February 17th 2023

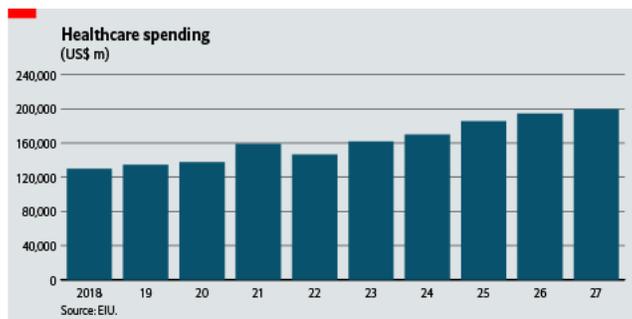
Overview

- According to EIU estimates, total healthcare expenditure in South Korea rose to 8.8% of GDP in 2021, extending a long-term upward trend. This share, which is among the highest in Asia, has risen from just 5.9% in 2010. We expect this ratio to decline slightly, to 8.6%, throughout the forecast period (2023-27), despite South Korea's relentless shift towards an ageing society.
- In local-currency terms, health expenditure growth will moderate to a compound annual growth rate (CAGR) of 3.3% over the forecast period—a sharp deceleration from the CAGR of 7.2% posted in the previous five-year period (2018-22). Pharmaceutical sales will rise at a CAGR of 2.6% in 2023-27 in local-currency terms, slowing down from the CAGR of 9% recorded in the previous five years.
- The central government plays a dominant role in South Korea's healthcare sector as a policymaker, a regulator, a provider and a partner to the private sector in research and development, and market development. The Ministry of Health and Welfare (MOHW) develops and implements healthcare policy and oversees the delivery of services through the National Health Insurance Service (NHIS).
- The Health Insurance Review and Assessment Service (HIRA), under the NHIS, is responsible for the reimbursement, adjustment and verification of National Health Insurance (NHI) expenses claimed by providers. In September 2020 the government upgraded the Korea Centres for Disease Control and Prevention (KCDC) to the Korea Disease Control and Prevention Agency (KDCA), an independent cabinet agency separate from the MOHW.
- The MOHW oversees fiscal spending on healthcare, which amounts to W17trn (about US\$13.8bn) for 2023, including W12.4trn set aside for the NHI programme. The 2023 budget also includes W1.47trn spending on healthcare technology research and development.
- The previous, left-leaning, government, headed by Moon Jae-in for a single five-year presidential term until May 2022, implemented the "Mooncare" programme to expand NHI coverage from 2018. As a result, the percentage of consumer health expenditure funded by the NHI rose from 62.7% on average in 2017 to 64.5% in 2021, according to the MOHW.
- The mandate to expand NHI coverage to a wider range of essential treatments has met political resistance from the government of Yoon Suk-yeol, who succeeded Moon Jae-in in May 2022 and is backed by the conservative People Power Party. The need to rein in spending on universal healthcare has also been highlighted by the possibility that the NHI will run out of funds by 2025.
- Accordingly, the government is prioritising the reform of NHI and private health insurance with a view to strengthening cost discipline relating to essential medical countermeasures. One of the reform objectives is to increase the integration between NHI coverage and private coverage to eliminate areas of redundant or unnecessary healthcare spending.
- South Korea's coronavirus pandemic response—based on an efficient tracing-testing-treatment model, an aggressive vaccine roll-out and strict social distancing restrictions—cost taxpayers a total of W7.59trn (US\$6.2bn) between January 2020 and June 2022, according to an estimate by the NHIS. Much of the funding came from the NHI programme.

- Most covid-19 restrictions have been lifted, including indoor mask-wearing requirements, with the vast majority of the South Korean population of 52m believed to have acquired antibody immunity against the coronavirus. The MOHW is currently implementing a changeover in the nationwide healthcare system from pandemic response mode to normal provision of care for the general public.
- Digital technology is emerging as a long-term driver of healthcare industry development in South Korea. A lawmaker-sponsored bill to create a dedicated law on digital healthcare promotion has been pending in the National Assembly since October 2021.
- Elderly care has also become (and will remain) a major focus of healthcare policy in the country amid a long-term demographic shift driven by one of the world's lowest birth rates. The collapse of the traditional family model in the country also means more people dying alone. According to the MOHW, the number of reported unattended deaths in South Korea increased from 2,412 in 2017 to 3,378 in 2021.

Funding sources

- South Korea has had a single-payer system of universal healthcare since the introduction of the NHI in 1988-89. The system's success has underpinned the country's rapid rise in life expectancy and the public's access to affordable quality healthcare. It has also enabled the roll-out of advanced healthcare technology at the provider level with support from the NHI.



- The NHI was covering 51.4m people by end-2021, 72.3% of whom were covered through workplace-based plans and the rest through individual plans. NHI-funded healthcare was free for 1.52m welfare recipients. According to the MOHW, a total of W111.1trn (US\$90.2bn) of healthcare spending was accounted for by the NHI programme in 2021, up by 8.1% from 2020.
- The total NHI-based healthcare expenditure of 2021 comprised W71.6trn in reimbursements to providers, W22.1trn in patient's co-payments, and W17.3trn in patient's out-of-pocket payments for non-covered items.
- Government funding for the NHI is legally capped at 20% of premium income. Annual fiscal contributions to the NHI's funding are also mandated by law. Since July 2018 the Act on Assistance for Catastrophic Health Expenditure has provided additional cover for 50% of catastrophic medical costs for the bottom 50% of households in income terms, with a ceiling of W30m (US\$24,360).

Healthcare: key indicators

	2018 ^a	2019 ^a	2020 ^a	2021 ^b	2022 ^b	2023 ^c	2024 ^c	2025 ^c	2026 ^c	2027 ^c
Life expectancy, average (years)	83.3	83.7	83.6	83.7 ^a	84.0	84.1	84.3	84.4	84.5	84.6
Life expectancy, male (years)	79.9	80.3	80.2	80.4 ^a	80.7	80.8	81.0	81.1	81.2	81.4
Life expectancy, female (years)	86.5	86.7	86.7	86.8 ^a	87.1	87.2	87.4	87.5	87.6	87.7
Infant mortality rate (per 1,000 live births)	3.0	3.0	3.0	2.9 ^a	2.9	2.8	2.8	2.8	2.7	2.7
Healthcare spending (W trn)	142.7 ^b	156.7 ^b	162.2 ^b	181.9	184.9	192.3	196.5	203.2	210.4	217.9
Healthcare spending (% of GDP)	7.5 ^b	8.1 ^b	8.4 ^b	8.8	8.6	8.6	8.6	8.6	8.6	8.6
Healthcare spending (US\$ bn)	129.7 ^b	134.4 ^b	137.5 ^b	159.0	143.6	154.4	165.3	178.9	187.8	193.0
Healthcare spending (US\$ per head)	2,511 ^b	2,595 ^b	2,651 ^b	3,068	2,771	2,981	3,195	3,460	3,638	3,744
Healthcare (consumer expenditure; US\$ bn)	42.9	44.3 ^b	44.9 ^b	50.1	50.6	55.7	61.2	67.4	72.4	76.6
Doctors (per 1,000 people)	2.4	2.5	2.5	2.6 ^a	2.6	2.7	2.8	2.8	2.9	3.0
Hospital beds (per 1,000 people)	12.4	12.4	12.7	12.7	12.7	12.5	12.5	12.5	12.5	12.5

^a Actual. ^b EIU estimates. ^c EIU forecasts.

Sources: World Bank health expenditure series, World Health Organisation; US Bureau of Census; UN; OECD; EIU

- For workplace-based NHI, employers pay half the monthly premium for each employee, which amounts to 6.99% of monthly taxable income in 2022. This premium rate rose to 7.09% in 2023, still below the 8% maximum set under the NHI law. Premiums are variable for the self-employed and other groups, based on income and assets.
- The NHI collected W69trn in health insurance premiums in 2021, up by 9.8% year on year, and dispensed W70.2trn in reimbursements for treatment costs, up by 7.2% year on year. Total out-of-pocket (OOP) payments per person are capped, with the annual ceiling for the highest income bracket set at W10.14m in 2023.
- Long-term care coverage, introduced in 2008 to cover the cost of long-term care for people aged 65 or older, is built into the NHI, with a monthly premium rate set at 12.81% for 2023. About 970,000 recipients had been approved to receive some form of long-term care support by 2021, according to the MOHW.

Private health insurance

- Voluntary or household OOP spending has fallen steadily since the introduction of the NHI, reaching 35.2% of total expenditure in 2021. This is still a high share by OECD standards. The share of private health spending is expected to rise during and beyond the forecast period.
- Private health insurance was introduced in South Korea in 1999, and the number of people enrolled in private health plans to supplement NHI coverage grew to 39.8m at the end of 2021. Private health insurance is available at prices regulated by the Financial Services Commission (FSC), because private health plans are sold exclusively by life and non-life insurance companies.
- Excessive, redundant or fraudulent claims remain rampant at the expense of insurance companies and enrolled consumers, and the FSC is tightening regulation. However, the development of a sustainable business model for private health insurance in South Korea will remain a work in progress during the forecast period.
- A package of improvement measures announced in January 2021 introduced tiered premium rates to cut monthly premiums for the cheapest policies, with effect from July of that year.

New private health insurance plans should require higher co-payment rates and offer premium discounts or surcharges based on members' health service utilisation.

Telecommunications

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March 15th 2023

- South Korea is one of the pioneers of fifth-generation (5G) network technology. The country is well positioned to become a major player in shaping global standards for next-generation technologies such as the sixth-generation (6G) network. This will help it to forge more alliances with the US and western European countries to counter Chinese influence. Semiconductors, a major component of the global 5G technology supply chain, remain one of South Korea's competitive strengths.
- South Korea's export-driven economy is built around its globalised electronics industry supply chain, which is dominated by large business groups, such as Samsung, LG and SK. The Ministry of Science and ICT (MSIT), which tracks information and communications technology (ICT) exports, estimated that South Korean ICT hardware exports, including semiconductors and smartphones, amounted to a record US\$233.3bn in 2022, or 34.1% of all merchandise exports in that year.
- South Korea is diversifying its ICT global supply chain. In November 2022 South Korea launched a digital partnership with the EU to promote joint actions in priority areas, which include semiconductors, high-performance computing and quantum technologies, cyber-security and 5G/6G networks, digital inclusion, artificial intelligence, online and digital platform co-operation, data-related laws and systems, digital identity and trust services, and digital trade.
- The summit agreement between the leaders of South Korea and the US in May 2022 covers bilateral co-operation on key ICT areas through a regular ministerial-level Supply Chain and Commercial Dialogue to discuss promotion of resilient supply chains of key products, including semiconductors, electric-vehicle batteries and critical minerals.
- Samsung Electronics, South Korea's flagship electronics manufacturer-exporter, is building a US\$17bn advanced chip-making facility in the US under a massive capital expenditure programme, announced in November 2021. In July 2022 SK Group, which controls SK Hynix, announced investment of US\$15bn in a new US-based chip factory and in research and development.

Mobile penetration

	2018 ^a	2019 ^a	2020 ^a	2021 ^b	2022 ^b	2023 ^c	2024 ^c	2025 ^c	2026 ^c	2027 ^c
Mobile voice subscriptions ('000)	66,356	68,893	70,514	72,855	74,112	74,849	75,238	76,091	76,535	77,210
Mobile voice subscriptions (per 100 people)	128	133	136	141	143	145	145	147	148	150
Mobile broadband subscriptions ('000)	58,140	58,859	59,932	60,721	64,353	67,724	70,663	73,815	76,846	79,942
Mobile broadband subscriptions (per 100 people)	113	114	116	117	124	131	137	143	149	155

^a Actual. ^b EIU estimates. ^c EIU forecasts.

Sources: International Telecommunication Union; EIU.

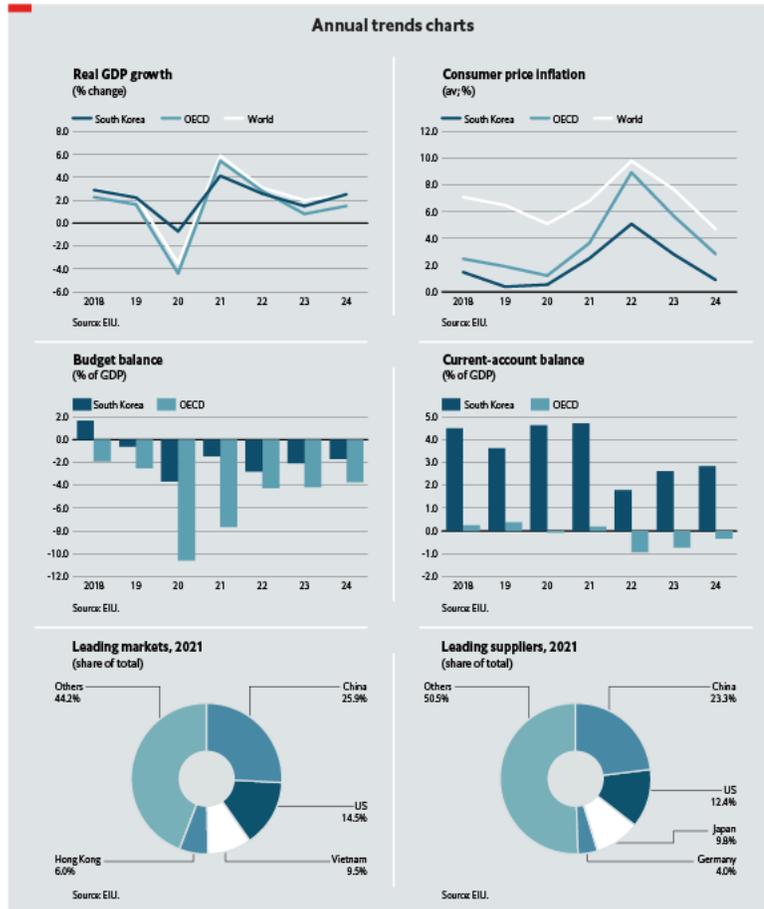
- Japan has remained a traditionally important technology trade partner for South Korea's ICT, which depends on parts, materials and equipment sourced from Japan to produce finished products. This relationship will grow stronger under the US-led initiative for

realigning the global supply chains of strategic industries. South Korea is poised to join the so-called Chip 4 alliance with the US, Japan and Taiwan.

Data and charts: Annual trends charts

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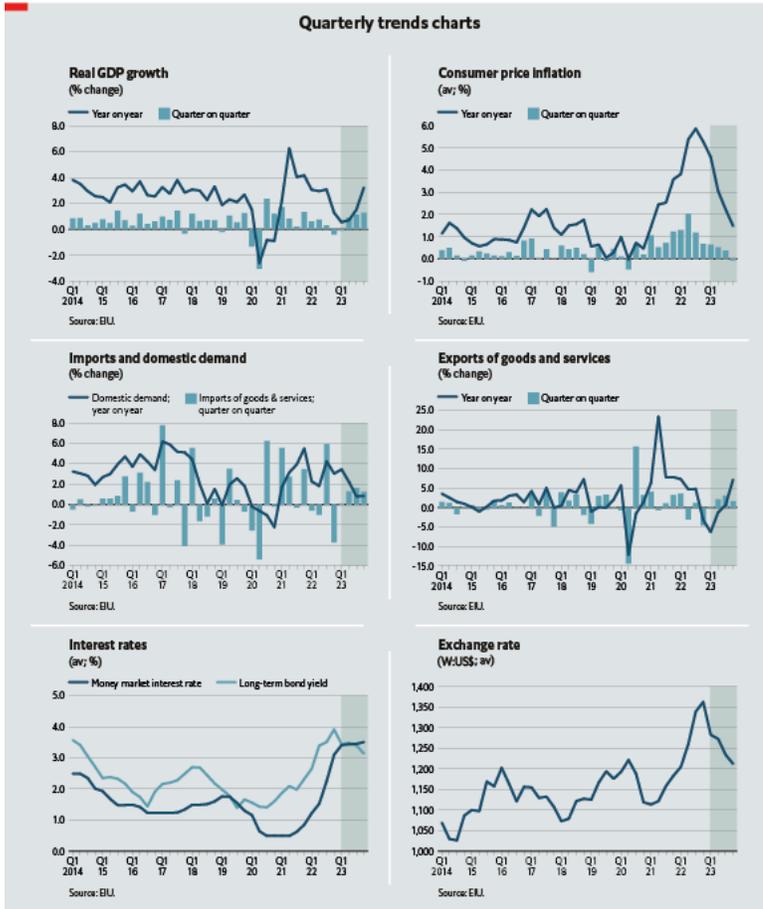
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Data and charts: Quarterly trends charts

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Data and charts: Monthly trends charts

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April 1st 2023



Political structure

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April 1st 2023

Official name

Republic of Korea

Form of state

Presidential system; the president and the National Assembly (parliament) are directly elected; members of parliament are elected using a mixed system of first past the post and proportional representation

The executive

The president (elected for a single term of five years) appoints the State Council (the cabinet), which comprises the president, the prime minister and 15-30 ministers. Cabinet ministers are not normally members of the National Assembly

Head of state

Elected president

Legislature

Unicameral Kuk Hoe (National Assembly) elected for a four-year term. The current assembly, which was elected in April 2020, has 300 seats. Most of the assembly's seats are filled by election from geographical constituencies, with the remainder distributed among the various parties in proportion to their shares of the national vote

National elections

The next parliamentary and presidential polls will be held in April 2024 and 2027 respectively. The last parliamentary and presidential elections were held in April 2020 and March 2022 respectively

National government

The government is led by the president, Yoon Suk-yeol, who was elected in March 2022 for a single five-year term. He succeeded Moon Jae-in of the Minjoo Party in May 2022

Main political organisations

People Power Party, Minjoo Party, People Party, Justice Party

Main members of the State Council

President: Yoon Suk-yeol

Prime minister: Han Duck-soo

Deputy prime minister of economy: Choo Kyung-ho

Deputy prime minister of social affairs: Lee Ju-ho

Key ministers

Defence: Lee Jong-sup

Economy & finance: Choo Kyung-ho

Education: Lee Ju-ho

Employment & labour: Lee Jeong-sik

Environment: Han Wha-jin

Foreign affairs: Park Jin

Gender equality & family: Kim Hyun-sook

Interior: Lee Sang-min

Justice: Han Dong-hoon

Land, infrastructure & transport: Won Hee-ryong

Science & ICT: Lee Jong-ho

Trade, industry & energy: Lee Chang-yang

Unification: Kwon Young-se

Central bank governor

Rhee Chang-yong

Data summary: Gross domestic product, current market prices

February 3rd 2023

Gross domestic product, at current market prices

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^b	2023 ^c	2024 ^c	2025 ^c	2026 ^c	2027 ^c
Expenditure on GDP (W trn at current market prices)										
GDP	1,898.2	1,924.5	1,940.7	2,071.7	2,214.6	2,289.8	2,360.9	2,442.6	2,520.4	2,609.9
Private consumption	911.6	935.9	900.3	955.8	1,121.8	1,147.6	1,192.1	1,236.2	1,277.7	1,328.6
Government consumption	304.7	328.7	350.1	376.2	411.6	434.0	454.0	468.5	479.9	492.8
Gross fixed investment	576.6	579.0	607.5	654.0	661.3	676.2	696.0	719.9	743.2	765.5
Exports of goods & services	791.8	755.9	705.6	870.8	1,021.4	978.5	1,022.7	1,056.1	1,109.8	1,179.2
Imports of goods & services	707.6	702.1	634.1	796.7	1,012.6	962.0	1,019.4	1,043.5	1,095.8	1,161.6
Stockbuilding	21.1	27.1	11.3	10.8	10.0	15.0	15.0	5.0	5.0	5.0
Domestic demand	1,814.0	1,870.7	1,869.2	1,996.8	2,204.7	2,272.7	2,357.1	2,429.5	2,505.8	2,591.8
Expenditure on GDP (US\$ bn at current market prices)										
GDP	1,725.4	1,651.4	1,644.3	1,811.0	1,714.8	1,879.7	1,979.2	2,150.2	2,250.3	2,312.2
Private consumption	828.6	803.1	762.8	835.5	868.6	942.1	999.3	1,088.2	1,140.8	1,177.0
Government consumption	277.0	282.0	296.6	328.9	318.7	356.2	380.6	412.4	428.4	436.5
Gross fixed investment	524.1	496.8	514.7	571.7	512.1	555.1	583.5	633.7	663.6	678.1
Exports of goods & services	719.7	648.6	597.9	761.2	790.9	803.3	857.4	929.7	990.9	1,044.7
Imports of goods & services	643.1	602.5	537.3	696.4	784.1	789.7	854.6	918.6	978.4	1,029.1
Stockbuilding	19.2	23.3	9.6	9.4	7.7	12.3	12.6	4.4	4.5	4.4
Domestic demand	1,648.8	1,605.3	1,583.7	1,745.5	1,707.2	1,865.7	1,976.0	2,138.7	2,237.3	2,296.2
Economic structure (% of GDP at current market prices)										
Private consumption	48.0	48.6	46.4	46.1	50.7	50.1	50.5	50.6	50.7	50.9
Government consumption	16.1	17.1	18.0	18.2	18.6	19.0	19.2	19.2	19.0	18.9
Gross fixed investment	30.4	30.1	31.3	31.6	29.9	29.5	29.5	29.5	29.5	29.3
Stockbuilding	1.1	1.4	0.6	0.5	0.5	0.7	0.6	0.2	0.2	0.2
Exports of goods & services	41.7	39.3	36.4	42.0	46.1	42.7	43.3	43.2	44.0	45.2
Imports of goods & services	37.3	36.5	32.7	38.5	45.7	42.0	43.2	42.7	43.5	44.5
Memorandum item										
Gross national savings ratio (%)	36.0	35.1	36.5	37.0	31.9	32.8	33.0	32.6	32.8	32.5

^a Actual. ^b EIU estimates. ^c EIU forecasts.**Data summary: Gross domestic product, at constant prices**

[South Korea](#) | [Economy](#) | [Charts and tables](#) | [GDP at constant prices](#)

February 3rd 2023

Gross domestic product, at constant prices

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^b	2023 ^c	2024 ^c	2025 ^c	2026 ^c	2027 ^c
Real expenditure on GDP (W trn at chained 2015 prices)										
GDP	1,812.0	1,852.7	1,839.5	1,915.8	1,965.4	1,991.8	2,042.1	2,100.2	2,156.3	2,218.1
Private consumption	875.6	894.1	851.0	882.5	921.2	938.0	961.0	987.3	1,010.5	1,037.0
Government consumption	285.9	304.2	319.7	337.7	351.6	363.9	377.4	392.8	408.5	425.7
Gross fixed investment	550.4	538.7	557.7	573.1	568.2	578.0	592.0	609.3	625.9	641.4
Exports of goods & services	777.5	779.4	766.1	849.1	874.7	872.9	898.7	927.8	961.6	998.2
Imports of goods & services	697.8	684.5	663.1	729.8	755.2	771.5	795.1	828.0	860.7	890.3
Stockbuilding (% of GDP)	18.5	20.5	11.0	8.3	12.6	6.5	4.0	7.0	6.5	2.0
Domestic demand	1,730.4	1,757.4	1,739.4	1,801.5	1,853.6	1,886.4	1,934.5	1,996.4	2,051.5	2,106.1
Real expenditure on GDP (% change)										
GDP	2.9	2.2	-0.7	4.1	2.6	1.3	2.5	2.8	2.7	2.9
Private consumption	3.2	2.1	-4.8	3.7	4.4	1.8	2.5	2.7	2.4	2.6
Government consumption	5.3	6.4	5.1	5.6	4.1	3.5	3.7	4.1	4.0	4.2
Gross fixed investment	-2.2	-2.1	3.5	2.8	-0.9	1.7	2.4	2.9	2.7	2.5
Exports of goods & services	4.0	0.2	-1.7	10.8	3.0	-0.2	3.0	3.2	3.6	3.8
Imports of goods & services	1.7	-1.9	-3.1	10.1	3.5	2.2	3.1	4.1	3.9	3.4
Stockbuilding (% contribution to GDP growth)	0.3	0.1	-0.5	-0.2	0.2	-0.3	-0.1	0.1	0.0	-0.2
Domestic demand	2.0	1.6	-1.0	3.6	2.9	1.8	2.5	3.2	2.8	2.7
Real contribution to GDP growth (% points)										
Private consumption	1.5	1.0	-2.3	1.7	2.0	0.9	1.2	1.3	1.1	1.2
Government consumption	0.8	1.0	0.8	1.0	0.7	0.6	0.7	0.8	0.7	0.8
Gross fixed investment	-0.7	-0.6	1.0	0.8	-0.3	0.5	0.7	0.8	0.8	0.7
External balance	1.0	0.8	0.4	0.9	0.0	-0.9	0.1	-0.2	0.0	0.3
Memorandum item										
Gross national savings ratio (%)	36.0	35.1	36.5	37.0	31.9	32.8	33.0	32.6	32.8	32.5

^a Actual. ^b EIU estimates. ^c EIU forecasts.

Data summary: Gross domestic product by sector of origin

[South Korea](#) | [Economy](#) | [Charts and tables](#) | [GDP by sector of origin](#)

February 3rd 2023

Gross domestic product by sector of origin

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^b	2023 ^c	2024 ^c	2025 ^c	2026 ^c	2027 ^c
Origin of GDP (W trn at constant 2015 prices)										
GDP at factor cost	1,663.1	1,702.7	1,687.4	1,759.1	1,812.4	1,836.7	1,883.1	1,936.7	1,988.4	2,045.4
Agriculture	32.1	33.4	31.4	32.6	32.3	35.6	36.3	37.0	38.0	38.6
Industry	620.4	625.1	620.5	653.4	662.2	686.3	704.4	723.7	742.2	764.1
Services	1,010.4	1,044.6	1,036.2	1,075.4	1,120.0	1,114.8	1,142.3	1,176.0	1,208.2	1,242.6
Origin of GDP (real % change)										
Agriculture	0.2	3.9	-5.8	3.8	-1.0	10.2	2.1	1.7	2.7	1.8
Industry	2.0	0.8	-0.7	5.3	1.4	3.6	2.6	2.7	2.6	2.9
Services	3.8	3.4	-0.8	3.8	4.1	-0.5	2.5	3.0	2.7	2.8
Origin of GDP (% of factor cost GDP)										
Agriculture	1.9	2.0	1.9	1.9	1.8	1.9	1.9	1.9	1.9	1.9
Industry	37.3	36.7	36.8	37.1	36.5	37.4	37.4	37.4	37.3	37.4
Services	60.8	61.3	61.4	61.1	61.8	60.7	60.7	60.7	60.8	60.8
Memorandum item										
Industrial production (% change)	1.5	-0.2	0.0	7.3	1.6	1.3	2.7	3.1	2.5	2.9

^a Actual. ^b EIU estimates. ^c EIU forecasts.

Data summary: Growth and productivity

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February 3rd 2023

Growth and productivity

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^b	2025 ^b	2026 ^b	2027 ^b
Growth and productivity (%)										
Labour productivity growth	2.5	1.1	0.1	2.7	-0.4	0.3	1.5	2.0	2.6	2.6
Total factor productivity growth	1.4	0.4	-1.3	2.2	-0.3	-0.2	1.0	1.4	1.7	1.8
Growth of capital stock	3.9	3.4	3.4	3.4	3.0	2.9	2.9	2.9	2.9	2.9
Growth of potential GDP	3.1	2.3	-0.5	4.0	2.2	1.6	2.5	2.8	2.8	2.9
Growth of real GDP	2.9 ^c	2.2 ^c	-0.7 ^c	4.1 ^c	2.6	1.3	2.5	2.8	2.7	2.9
Growth of real GDP per head	2.6 ^c	2.0 ^c	-0.8 ^c	4.2 ^c	2.6	1.4	2.6	2.9	2.8	3.0

^a EIU estimates. ^b EIU forecasts. ^c Actual.

Data summary: Economic structure, income and market size

[South Korea](#) | [Economy](#) | [Charts and tables](#) | [Economic structure, income and market size](#)

February 3rd 2023

Economic structure, income and market size

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^b	2023 ^c	2024 ^c	2025 ^c	2026 ^c	2027 ^c
Population, income and market size										
Population (m)	51.7	51.8	51.8	51.8	51.8	51.8	51.7	51.7	51.6	51.6
GDP (US\$ bn at market exchange rates)	1,725.4	1,651.4	1,644.3	1,811.0	1,714.8	1,879.7	1,979.2	2,150.2	2,250.3	2,312.2
GDP per head (US\$ at market exchange rates)	33,390	31,880	31,720	34,940	33,090	36,300	38,250	41,600	43,580	44,840
Private consumption (US\$ bn)	828.6	803.1	762.8	835.5	868.6	942.1	999.3	1,088.2	1,140.8	1,177.0
Private consumption per head (US\$)	16,030	15,500	14,710	16,120	16,760	18,190	19,310	21,050	22,100	22,830
GDP (US\$ bn at PPP)	2,220.4	2,247.1	2,317.0 ^b	2,426.3 ^b	2,658.4	2,799.1	2,921.5	3,061.7	3,209.5	3,377.4
GDP per head (US\$ at PPP)	42,970	43,380	44,690 ^b	46,810 ^b	51,310	54,050	56,460	59,230	62,160	65,500
Personal disposable income (W tm)	967.7	998.4	1,036.4	994.3	1,100.9	1,181.1	1,246.6	1,299.7	1,346.2	1,391.4
Personal disposable income (US\$ bn)	879.6	856.8	878.1	869.2	852.4	969.6	1,045.0	1,144.1	1,202.0	1,232.7
Growth of real disposable income (%)	3.0	2.6 ^b	2.7 ^b	-6.3 ^b	-1.5	6.8	4.1	3.3	2.6	2.0
Memorandum items										
Share of world population (%)	0.68	0.68	0.67	0.67	0.66	0.66	0.66	0.66	0.64	0.63
Share of world GDP (% at market exchange rates)	2.02	1.91	1.95	1.90	1.75	1.87	1.83	1.88	1.88	1.84
Share of world GDP (% at PPP)	1.73	1.68	1.75 ^b	1.67 ^b	1.66	1.65	1.64	1.63	1.65	1.65
Share of world exports of goods (%)	3.30	3.02	3.04	3.01	2.45	2.47	2.58	2.67	3.03	2.97

^a Actual. ^b EIU estimates. ^c EIU forecasts.

Data summary: Fiscal indicators

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Fiscal indicators

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^b	2023 ^c	2024 ^c	2025 ^c	2026 ^c	2027 ^c
Fiscal indicators (% of GDP)										
Government expenditure	21.4	23.7	26.7	27.4	28.5	28.6	29.2	29.3	29.5	29.4
Interest	-0.1	-0.2	-0.1	0.0	0.0	0.1	0.1	0.0	0.0	0.1
Non-interest	21.6	23.9	26.8	27.5	28.5	28.5	29.1	29.3	29.5	29.4
Government revenue	23.1	23.1	23.0	26.0	25.1	26.2	27.5	28.1	28.4	28.7
Budget balance	1.6	-0.6	-3.7	-1.5	-3.4	-2.4	-1.7	-1.2	-1.1	-0.7
Primary balance	1.5	-0.8	-3.7	-1.5	-3.3	-2.3	-1.6	-1.2	-1.1	-0.7
Government debt	41.9	44.2	50.0	50.5	51.6	53.5	54.7	54.9	55.3	55.1

^a Actual. ^b EIU estimates. ^c EIU forecasts.

Data summary: Monetary indicators

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Monetary indicators

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^b	2023 ^c	2024 ^c	2025 ^c	2026 ^c	2027 ^c
Monetary indicators										
Exchange rate W:US\$ (av)	1,100	1,165	1,180	1,144	1,291	1,218	1,193	1,136	1,120	1,129
Exchange rate W:US\$ (year-end)	1,118	1,158	1,088	1,187	1,276	1,202	1,166	1,120	1,124	1,142
Exchange rate W:¥100 (av)	996	1,069	1,105	1,042	982	983	1,037	1,008	1,011	1,038
Real effective exchange rate (av), CPI-based	108.4	102.9	100.6	101.2	94.7	100.0	100.1	103.1	103.1	101.3
Purchasing power parity W:US\$ (av)	854.9	856.4	837.6	853.9	833.0	818.0	808.1	797.8	785.3	772.8
Money supply (M2) growth (%)	6.7	7.9	9.8	12.9	4.7	7.0	8.9	7.2	6.8	7.2
Domestic credit growth (%)	6.5	8.7	9.3	10.9	8.5	9.5	10.0	9.1	8.8	9.0
Commercial banks' prime rate (av; %)	3.7	3.4	2.8	2.9	4.2	5.5	5.0	4.7	4.5	4.4
Deposit rate (av; %)	2.0	1.9	1.2	1.2	3.1	4.6	4.1	3.8	3.7	3.6
Money market rate (av; %)	1.5	1.6	0.7	0.6	2.0	3.4	3.2	3.2	3.2	3.2
10-year government bond yield (av; %)	2.5	1.7	1.5	2.1	3.4	3.5	2.9	2.6	2.6	2.6

^a Actual. ^b EIU estimates. ^c EIU forecasts.

Data summary: Employment, wages and prices

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Employment, wages and prices

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^b	2023 ^c	2024 ^c	2025 ^c	2026 ^c	2027 ^c
The labour market (av)										
Labour force (m)	27.9	28.2	28.0	28.3	28.9	29.3	29.5	29.7	29.7	29.8
Labour force (% change)	0.5	1.0	-0.6	1.1	2.2	1.2	0.8	0.6	0.2	0.1
Unemployment rate (%)	3.8	3.8	3.9	3.7	2.9	3.1	2.9	2.7	2.7	2.6
Wage and price inflation (% except labour costs per hour)										
Consumer prices (av)	1.5	0.4	0.5	2.5	5.1	2.8	0.9	1.0	1.2	1.3
Consumer prices (year-end)	1.3	0.8	0.6	3.7	5.0	1.4	1.0	1.1	1.3	1.6
Producer prices (av)	1.9	0.0	-0.5	6.4	8.4	1.6	0.7	1.6	1.9	2.3
GDP deflator (av)	0.5	-0.8	1.6	2.5	4.2	2.0	0.6	0.6	0.5	0.7
Private consumption deflator (av)	1.2	0.5	1.1	2.4	12.4	0.5	1.4	0.9	1.0	1.3
Government consumption deflator (av)	2.2	1.4	1.4	1.7	5.1	1.9	0.9	-0.9	-1.5	-1.5
Fixed investment deflator (av)	1.9	2.6	1.3	4.8	2.0	0.5	0.5	0.5	0.5	0.5
Average nominal wages	5.1	3.3	0.7	5.0	6.6	4.4	2.2	2.3	3.2	3.4
Average real wages	3.6	2.9	0.1	2.5	1.4	1.5	1.3	1.2	2.0	2.0
Unit labour costs (W-based; av)	3.5 ^b	3.2 ^b	1.6 ^b	3.3 ^b	8.0	5.0	1.7	1.2	1.6	1.8
Unit labour costs (US\$-based)	6.4 ^b	-2.6 ^b	0.3 ^b	6.5 ^b	-4.4	11.3	3.9	6.3	3.1	1.0
Labour costs per hour (W)	27,185 ^b	27,811 ^b	27,723 ^b	28,839 ^b	30,442	31,466	31,845	32,245	32,955	33,732
Labour costs per hour (US\$)	24.7 ^b	23.9 ^b	23.5 ^b	25.2 ^b	23.6	25.8	26.7	28.4	29.4	29.9

^a Actual. ^b EIU estimates. ^c EIU forecasts.

Data summary: Current account and terms of trade

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Current account and terms of trade

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^b	2023 ^c	2024 ^c	2025 ^c	2026 ^c	2027 ^c
Current account (US\$ bn)										
Current-account balance	77.5	59.7	75.9	88.3	26.6	49.8	56.6	62.3	70.0	67.9
Current-account balance (% of GDP)	4.5	3.6	4.6	4.9	1.6	2.7	2.9	2.9	3.1	2.9
Goods: exports fob	626.3	556.7	517.9	650.0	607.2	618.2	688.1	755.2	819.2	850.8
Goods: imports fob	-516.2	-476.9	-437.3	-573.8	-592.3	-562.2	-625.3	-687.3	-745.7	-777.9
Trade balance	110.1	79.8	80.6	76.2	14.9	56.0	62.9	67.8	73.5	72.9
Services: credit	103.7	103.8	89.6	121.2	125.5	143.3	154.0	168.2	179.3	186.4
Services: debit	-133.0	-130.7	-104.3	-124.3	-130.0	-152.5	-164.8	-181.6	-192.6	-201.2
Services balance	-29.4	-26.8	-14.7	-3.1	-4.5	-9.2	-10.8	-13.3	-13.3	-14.8
Primary income: credit	34.8	41.4	37.9	48.3	45.7	31.1	33.5	37.6	39.9	40.8
Primary income: debit	-29.9	-28.5	-24.5	-28.9	-26.5	-24.7	-25.4	-26.0	-26.1	-27.0
Primary income balance	4.9	12.9	13.5	19.3	19.2	6.4	8.1	11.6	13.8	13.9
Secondary income: credit	9.5	10.4	10.2	10.0	8.7	9.5	10.0	10.8	11.4	11.7
Secondary income: debit	-17.6	-16.6	-13.7	-14.2	-11.7	-12.8	-13.5	-14.7	-15.4	-15.8
Secondary income balance	-8.2	-6.1	-3.5	-4.1	-3.0	-3.3	-3.5	-3.8	-4.0	-4.1
Terms of trade										
Export price index (US\$-based; 2010=100)	90.8	82.8	77.5	91.4	94.4	95.0	98.6	103.4	106.3	108.2
Export prices (% change)	3.6	-8.8	-6.4	17.9	3.3	0.6	3.8	4.8	2.9	1.7
Import price index (US\$-based; 2010=100)	91.6	87.2	78.6	95.4	106.5	102.7	108.3	111.1	113.8	116.0
Import prices (% change)	9.2	-4.8	-9.8	21.4	11.6	-3.5	5.4	2.6	2.4	1.9
Terms of trade (2010=100)	99.1	95.0	98.6	95.8	88.7	92.5	91.0	93.0	93.4	93.2
Memorandum item										
Export market growth (%)	6.0 ^b	-0.5 ^b	-3.4 ^b	11.7 ^b	3.5	1.4	3.8	3.6	3.5	3.7

^a Actual. ^b EIU estimates. ^c EIU forecasts.

Data summary: Foreign direct investment

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Foreign direct investment

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^b	2023 ^c	2024 ^c	2025 ^c	2026 ^c	2027 ^c
Foreign direct investment (US\$ bn)										
Inward direct investment	12.2	9.6	8.8	16.8	15.9	15.2	14.4	14.6	15.0	15.4
Inward direct investment (% of GDP)	0.7	0.6	0.5	0.9	0.9	0.8	0.7	0.7	0.7	0.7
Inward direct investment (% of gross fixed investment)	2.3	1.9	1.7	2.9	3.1	2.7	2.5	2.3	2.3	2.3
Outward direct investment	-38.2	-35.2	-34.8	-60.8	-57.4	-51.3	-55.2	-56.0	-58.5	-59.2
Net foreign direct investment	-26.0	-25.6	-26.1	-44.0	-41.5	-36.1	-40.8	-41.4	-43.5	-43.8
Stock of foreign direct investment	237.2	241.7	260.8	260.3	276.2	291.4	305.8	320.4	335.5	350.9
Stock of foreign direct investment per head (US\$)	4,590.8	4,664.9	5,030.4	5,021.8	5,331.0	5,627.4	5,909.8	6,198.8	6,497.1	6,804.8
Stock of foreign direct investment (% of GDP)	13.7	14.6	15.9	14.4	16.1	15.5	15.5	14.9	14.9	15.2
Memorandum items										
Share of world inward direct investment flows (%)	3.1	0.8	0.7	1.3	1.1	1.0	0.9	0.9	0.9	0.9
Share of world inward direct investment stock (%)	0.7	0.7	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7

^a Actual. ^b EIU estimates. ^c EIU forecasts.

Data summary: External debt

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External debt

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^b	2023 ^c	2024 ^c	2025 ^c	2026 ^c	2027 ^c
External debt										
Total external debt (US\$ bn) ^d	404.7	432.6	503.9	566.8	557.3	554.2	566.5	575.9	588.1	592.2
Total external debt (% of GDP) ^d	23.5	26.2	30.6	31.3	32.5	29.5	28.6	26.8	26.1	25.6
Debt/exports ratio (%)	52.9	61.6	78.0	69.1	71.6	69.9	64.7	59.9	56.6	54.9
Debt-service ratio, paid (%) ^d	5.4 ^b	6.8 ^b	6.4 ^b	7.3 ^b	10.1	11.1	9.5	7.5	6.2	5.6

^a Actual. ^b EIU estimates. ^c EIU forecasts. ^d On a balance-of-payments basis; includes both foreign- and local-currency-denominated debt held by non-residents.

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