

## KOREA

Output growth was positive in the first quarter of 2009, following the severe contraction in late 2008. Nevertheless, the unemployment rate has risen significantly, inflation has decelerated and the current account surplus has increased sharply. Output growth is projected to pick up further in line with the recovery in world trade, reaching a rate of 4½ per cent by late 2010.

As the economy strengthens, the growth of government spending should be scaled back to bring the budget back into balance, while pursuing tax reform to create a more growth-friendly system. The authorities should ensure that the negative impact of corporate restructuring on the financial sector remains limited, while pursuing structural reforms to sustain growth over the medium term.

## Korea: Demand, output and prices

	2005	2006	2007	2008	2009	2010
	Current prices KRW trillion	Percentage changes, volume (2005 prices)				
Private consumption	465.4	4.7	5.1	0.9	-2.6	3.0
Government consumption	120.0	6.6	5.4	4.2	6.9	4.0
Gross fixed capital formation	249.7	3.4	4.2	-1.7	-5.1	6.6
Final domestic demand	835.1	4.6	4.9	0.7	-1.9	4.2
Stockbuilding <sup>1</sup>	6.7	0.3	-0.2	0.7	-2.8	1.3
Total domestic demand	841.9	4.9	4.7	1.4	-4.6	5.6
Exports of goods and services	339.8	11.4	12.6	5.7	-10.5	7.0
Imports of goods and services	316.4	11.3	11.7	3.7	-14.5	11.1
Net exports <sup>1</sup>	23.4	0.3	0.5	0.9	2.3	-2.0
GDP at market prices	865.2	5.2	5.1	2.2	-2.2	3.5
GDP deflator	–	-0.1	2.1	2.7	5.3	2.7
<i>Memorandum items</i>						
Consumer price index	–	2.2	2.5	4.7	2.5	2.0
Private consumption deflator	–	1.5	2.0	4.2	2.7	2.0
Unemployment rate	–	3.5	3.2	3.2	3.9	3.9
Household saving ratio <sup>2</sup>	–	5.2	2.9	2.8	5.1	3.2
General government financial balance <sup>3</sup>	–	3.9	4.7	3.2	-1.2	-2.3
Current account balance <sup>3</sup>	–	0.6	0.6	-0.5	3.3	1.7

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of disposable income.

3. As a percentage of GDP.

Source: *OECD Economic Outlook 85* database.