

KERI

ECONOMIC

BULLETIN

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Korea Economic Research Institute

Executive Summary

Korea's growth rate for 2017 expected to be 2.2%, lowered by 0.1%p from 2.3% this year

We have maintained our projection of growth rate as 2.3%. For the 2nd half, it is projected to fall sharply to 1.7% from 3.0% for the 1st half. Both external and internal circumstances have not been favorable for achieving further growth. Internationally, the forecast of world growth rate has been continuously leveled down. Domestically, resilience of Korean economy is losing its grip owing to the minority government, restructuring of gangling industries, and the implementation of anti-corruption law. Thus, the next year's growth rate is forecasted to be 2.3%, grown only by 0.1%p from this year's 2.2%. To make matters worse, the external and internal headwinds will not abate for Korea to have an amicable sail through. It's a two-fold concern; in the global arena, the possibility of achieving a further growth becomes more infeasible for the facts that Brexit negotiation starts to initiate, the economic slowdown of China is lingering while developing nations are more vulnerable to the US Fed's interest rate decision; at domestic level, effective measures to boost the economy have become obsolete in terms of fiscal, monetary as well as foreign exchange policies. Thus, it's indispensable to adjust the expected growth rate.

Again in 2017, low price, low interest rate & abundant trade surplus will prevail

The overall consumer price is projected to soar only by 1.1% compared to this year's 0.8%. Amid the crude oil price increment, the appreciation of KRW, together with the demand contraction as a consequence of implementing anti-corruption law, lower the probability of consumer price to rise. The trade surplus is forecasted to slide down to US\$98 billion in 2017, compared to US\$102.4 billion this year. The huge current account surplus is likely to be on a gradual decline as the degree of import loss grows. USD/KRW will revert to gradual rise from the 4th quarter of 2016 owing to the possibility of US Fed's base rate hike, in that it is projected to record 1,138 won for the next year's average. The market interest rate (Corp AA-, 3yr) is expected to rise by small margin as 2.0% in 2017 from 1.8% in 2016 for the fact that US tapering shall have a limited effect in Korean rates market and growth rate of the Korean economic growth is weakening.

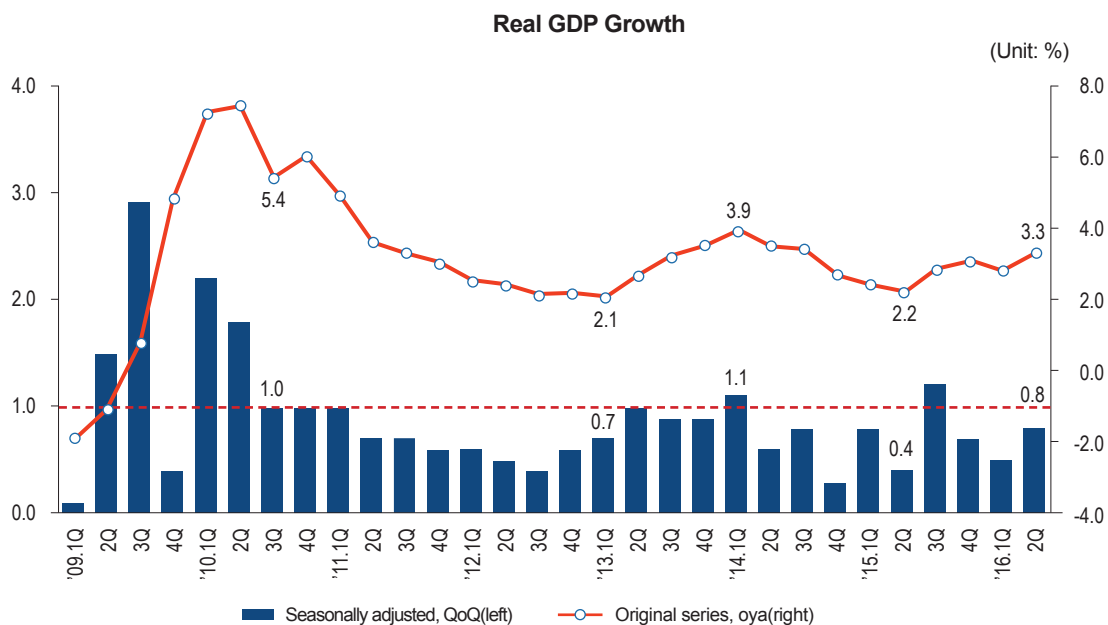
Global trade volume, sustains its long-term decline tendency ... in an urgent necessity to improve the economic fundamentals

Recently, the long term trend of the global trade volume has been dwindled less than that of successive exacerbated periods aftermath of the 2008 global financial crisis, and the long term trend of global industrial production has not recovered fully from the level of 2008 crisis. For the past 20 years, the total debt of major countries skyrocketed and the negative growth on the prime working age population had prolonged. Thus, the most effective means to undergird the economic fundamentals to cope with secular stagnation is more than necessary.

Recent Developments

2Q, the growth rate rose by 0.3%p to 0.8%, yet subdued growth for 3 consecutive quarters

Low q/q growth rate of Korean economy is lingering since the 4th quarter of 2015 (0.7%) after the growth rate of 1.2% in the 3rd quarter of 2015. Amid the improvement of export, domestic growth rate has not reached satisfactory level even with the government's pump-priming economic policies in terms of early budget execution and consumption revitalization policy. Meanwhile, the over-year-ago basis growth rate rose to 3.3% from 2.8% in 1Q16, of which stemming from the low growth in the same quarter previous year.



Source: The Bank of Korea

Gradual rise of the q/q growth, led by the domestic arena

The contribution to GDP from the domestic sector recorded 1.2%p along with the rise of private consumption and facilities investment. The contribution of private consumption rose to 0.5%p in the 2Q16 from 0.1%p in the previous quarter as a result of the successful consumption revitalization policy. The contribution of facilities investment also rose to 0.2%p in the 2Q16 from -0.6%p in the previous quarter. On the contrary, the contribution to GDP for the government consumption and construction investment aspects, it was lowered due to the early budget execution during the 1st quarter of 2016. When considering the foreign aspects, the contribution to GDP of the net export deteriorated dramatically from 0.9%p to -0.3%p in the 2Q16 due to the outpaced import contribution.

Contribution to GDP by expenditure

(Unit: %p)

(SA, real)	2014				2015				2016	
	1/4	2/4	3/4	4/4	1/4	2/4	3/4	4/4	1/4	2/4
Final consumption expenditure	0.3	-0.1	0.6	0.2	0.5	0.1	0.8	0.8	0.1	0.5
Private consumption	0.2	-0.2	0.3	0.2	0.4	-0.1	0.6	0.7	-0.1	0.5
Government expenditure	0.1	0.1	0.3	0.0	0.1	0.1	0.2	0.2	0.2	0.0
Gross capital formation	-0.4	0.4	0.8	0.2	0.4	0.5	1.1	0.2	-0.3	0.7
Gross fixed capital formation	0.5	0.3	-0.1	-0.4	0.9	0.3	0.7	-0.3	0.3	0.8
Construction investment	0.5	0.2	-0.1	-0.7	0.8	0.3	0.5	-0.4	1.0	0.5
Facilities investment	-0.1	0.1	0.0	0.3	0.0	0.1	0.2	0.0	-0.6	0.2
Intellectual property products	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1
Changes in inventories and acquisition	-0.9	0.1	0.8	0.6	-0.5	0.2	0.5	0.5	-0.6	-0.1
Exports of goods and services	0.4	0.6	-0.8	0.2	0.4	0.0	-0.1	1.0	-0.5	0.5
Imports of goods and services	-0.8	0.4	0.0	0.2	0.4	0.2	0.6	1.4	-1.4	0.8

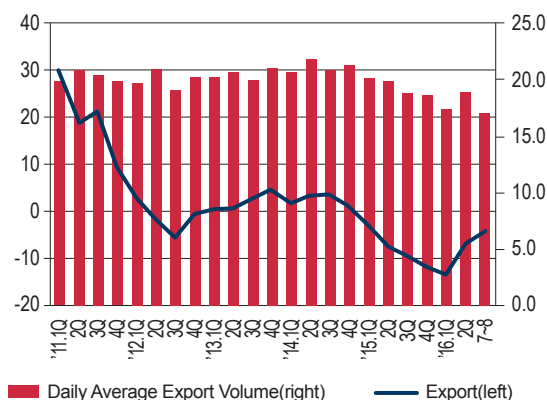
Source: The Bank of Korea

Sustaining the recovery rate on export (on a custom clearance basis) : -13.4%(1Q16) → -6.7%(2Q16) → -4.3%(The monthly average between July and August)

The balance of trade with respect to China, ASEAN, and EU has continuously shown auspicious figures, whilst the trade with Japan generated the surplus in August along with the 23 successive months of loss. By product, the export volume of vessels has expanded, while export loss on the semiconductor and flat panel display has been alleviated. The daily average volume of export had been on the rising trajectory from US\$1.74 billion in the 1Q16 to US\$1.88 billion in the 2Q16 whereas the daily average export volume shows the sign of decline in between July and August to US\$1.71 billion for the increment of working day.

Export Growth and the Daily Average Export Volume

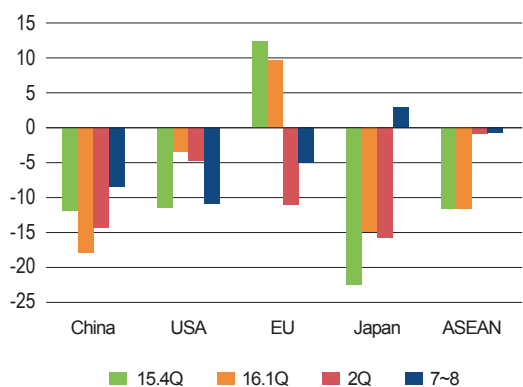
(Unit: left-oya%, right-US\$100mil)



Source: MOTIE, Korea Customs Service

Export Growth by Destination

(Unit: oya%)



Source: MOTIE

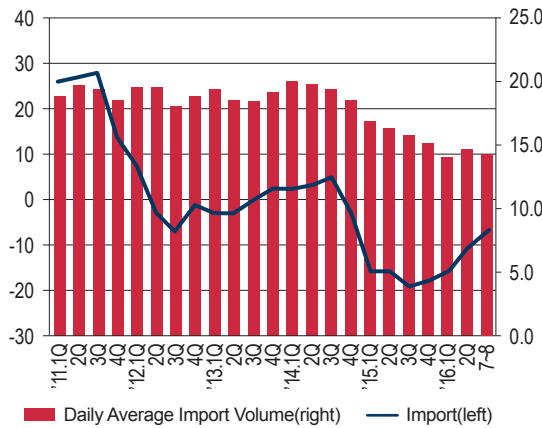
Sustaining the recovery rate on import (on a custom clearance basis)

: -16.2%(1Q16) →
 -10.5%(2Q16) → -7.1%(The monthly average between July and August)

The loss on import for commodities has continuously recovered from -25.3% in the 1Q16 to -19.2% in the 2Q16 and -12.8% in between July 1st and August 20th. The daily average volume of import has improved as well from US\$1.41 billion in the 1Q16 to US\$1.48 billion in the 2Q16. The daily average import volume declining in between July and August to US\$1.43 billion was due to the working day increment.

Import Growth and the Daily Average Import Volume

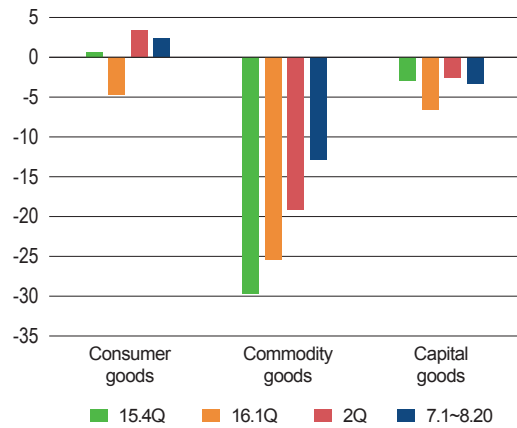
(Unit: left-oya%, right-US\$100mil)



Source: MOTIE, Korea Customs Service

Import Growth by Usage Type

(Unit: oya%)

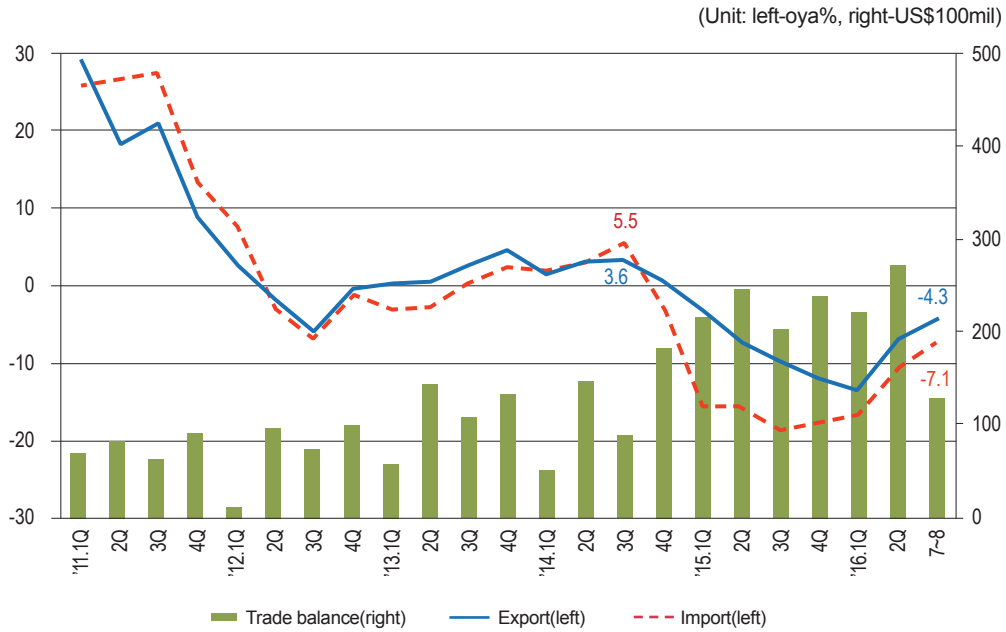


Source: Korea Customs Service

Korea's trade surplus recorded US\$61.8 billion (increased by US\$4.2 billion, 7.3% oya) in between January and August

Trade surplus is sustaining as import loss outpaces the export loss. The average import loss was -8.7% between January and August, while that of export was -11.8%.

Trend of Export, Import and Trade Balance



Source: MOTIE

Korea's current account surplus recorded US\$58.6 billion (decreased by US\$1.49 billion, 2.5% oya) in between January and July

The current account surplus decreased in between January and July compared to the same period last year as a consequence of the drastic drop in primary income account and the expanded deficits on the service and secondary balance while the sole increase of balance of goods was visible. The goods balance rose to US\$71.7 billion in between January and July 2017 from US\$67.8 billion the same period last year as the loss on import (-18.2%) outpaced the loss on export(-12.3%). However, the service deficit had deteriorated by US\$1.1 billion compared to the same period of last year as the trade balance on transportation reverted to the deficit along with the deficit increment on the construction sector. Compared to the same period last year, the primary balance declined by US\$4.0 billion as the dividend revenue reduced while the payment of dividend rose.

Economic Trends and Outlook

Trend of Current Account Balance

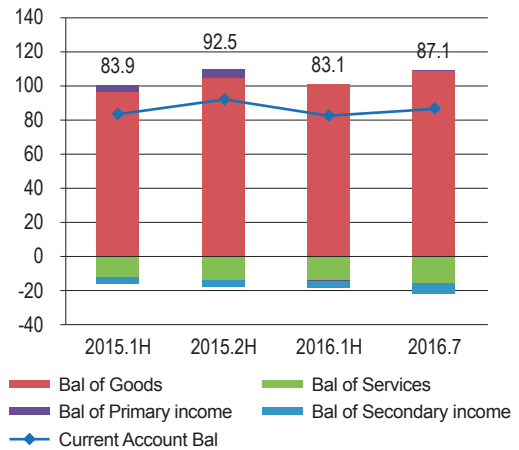
(Unit: US\$100mil)

	2015		2016	
	1H	2H	1H	7
Current Account	503.6	555.2	498.7	87.1
Bal of Goods	579.0	624.0	609.0	108.1
Bal of Services	-74.7	-82.1	-83.1	-15.3
Bal of Primary Income	22.7	36.2	-6.6	0.5
Bal of Secondary Income	-23.3	-22.9	-20.6	-6.2

Source: The Bank of Korea

Trend of Average Current Account Balance

(Unit: US\$100mil)



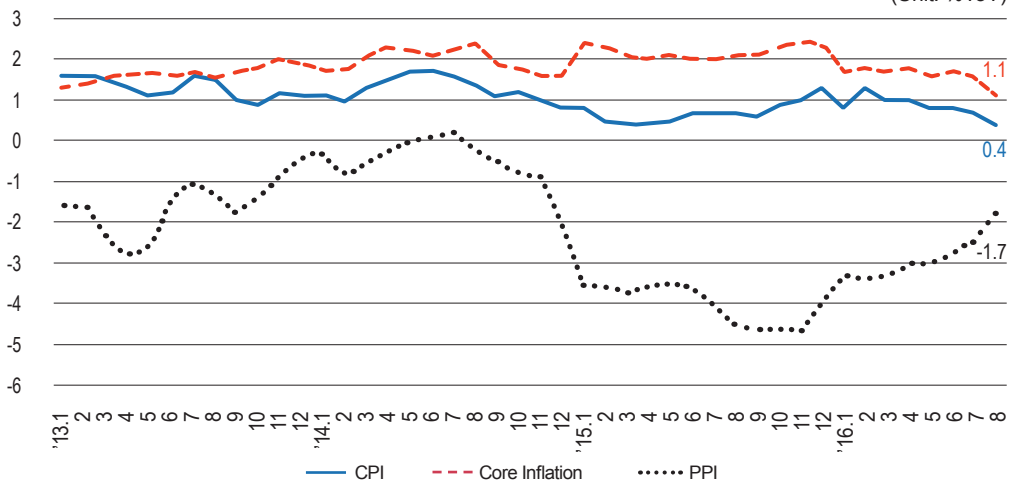
Source: The Bank of Korea

Consumer price index plummeted to 0.4% in August along with 2 consecutive months of drop.

Once again, CPI stepped down to the 0% level owing to the temporal price drop on the electricity whereas the other demand side factors are not pressing enough the inflation. With the practical impact of the temporal measure, the utility price in August reduced drastically to -12.6% from the 3.9% in July. On the supply side, however, the price rose only by a small margin along with the price increment on the agricultural, livestock and fisheries sector due to the historic degree of heat wave and drought. However, the supply side inflation was not strong enough to push the CPI up. Meanwhile, the core inflation slid down to 1.1% in August, and PPI recovered only marginally to -1.7% in August.

Trend of Prices

(Unit: %YoY)



Source: Korea Customs Service, The Bank of Korea

In August, the employment rate improved than the last month, which exceeded the average of 2016

The number of employment was 387,000 in August, which was higher than 298,000 (July) and 337,000 (the average number for 2016). Nevertheless, there have been some concerns because the growth rate youth employment is declining while the growth rate of senior employment is increasing. Moreover, the employment on manufacturing is dwindling while the employment on wholesale & retail markets, lodging and restaurant is on a growing tendency. Meanwhile, the unemployment rate has risen by negligible degree to 3.6% in August, for the fact that the outpaced growth of economic population compared to the growth of unemployment.

Employment, with relevant indicators

(Unit: thousand persons change over year ago, %)

		2014	2015		2016		
		Year	Year	Aug	June	July	Aug
Changes in employment		533	337	256	354	298	387
By Age	- 15 ~ 29	77	68	36	131	88	56
	- 30 ~ 39	-21	-38	-60	-28	-56	-61
	- 40 ~ 49	38	-14	-17	-33	-9	11
	- 50 ~ 59	239	149	121	88	45	124
	- 60 years and older	200	172	177	197	230	258
By Industry	- Agri., Forestry & Hunting	-68	-107	-115	-98	-111	-67
	- Manufacturing	146	156	156	15	-65	-74
	- Construction	42	27	10	-24	1	71
	- Wholesale & retail trade, hotels & others	259	73	28	78	87	141
	- Business, personal, public service & others	176	165	110	357	337	304
	- Electricity, transport, communication & finance	-18	22	65	22	43	8
Unemployment rate(%)		3.5	3.6	3.4	3.6	3.5	3.6

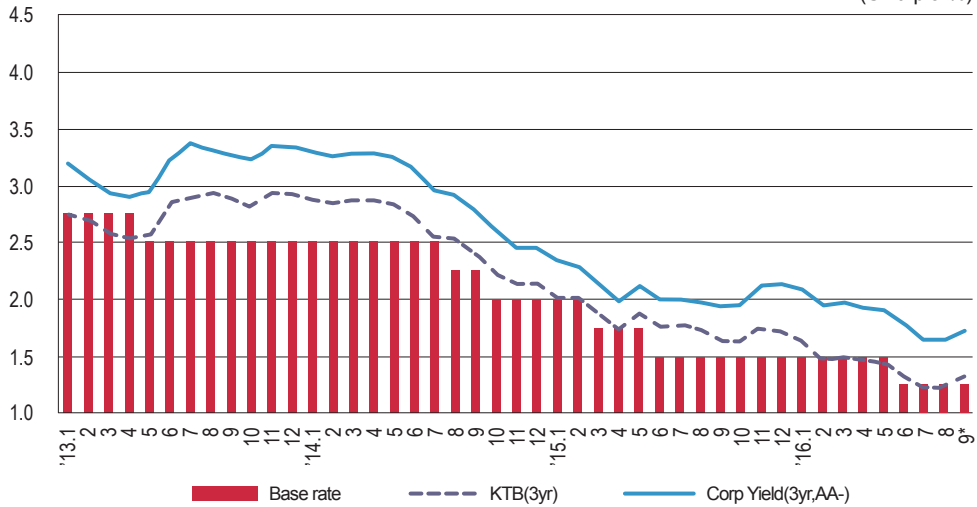
Source: Economically Active Population Survey (Statistics Korea)

Market interest rates, swinging like a pendulum within a narrow range

The standard interest rate of Korea was soaring up to 1.3%, along with the low figures below the standard rate as 1.25. Market players are keeping eyes on the Korean MPC and the US Fed's base rate decision, as the base rate of Korea is possibly climbing down while the US base rate is likely to hike. The KTB 3-yr yield declined to 1.22% in July from 1.63% in January with another leap to 1.32% in between September 1st and 21st.

Interest rates

(Unit: p.a %)



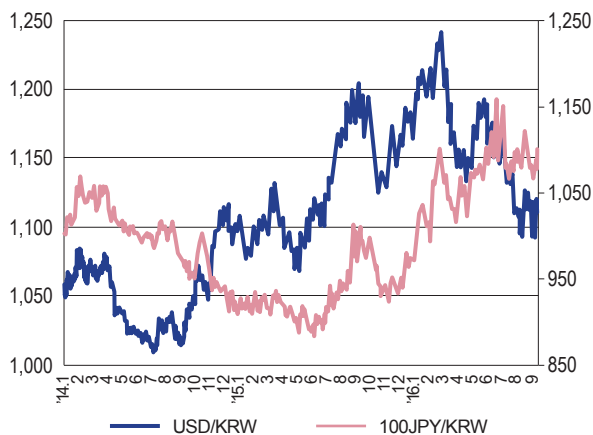
Source: The Bank of Korea

In the aftermath of Brexit, the USD/KRW has plummeted momentarily, but as it regained the resilience it soared henceforth.

The USD/KRW rocketed for few days after the announcement of UK's referendum result in June. However, it came down and stabilized instantly due to the abundant current account surplus, limitation on the foreign exchange market intervention as a result of the US report on foreign currency policies, and the possibility of delay on the US Fed's base rate decision. The USD/KRW recorded 1,183.3 won in July 28th, right after the announcement of Brexit, and slid down to 1,119.5 won in September 21st. The net foreign purchase of Korean equities has surged in July and the sentiment prolonged until August, of which helped KRW to appreciate.

Exchange rate

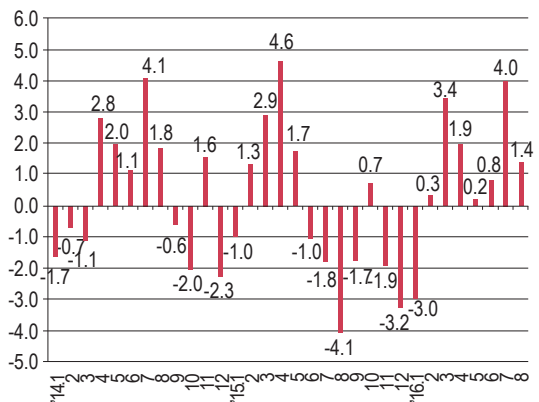
(Unit: USD/KRW, 100JPY/KRW)



Source: The Bank of Korea

Net foreign purchase of Korean equities

(Unit: Tril won)



Source: The Bank of Korea

Outlook for 2016 and 2017

1. Global Prospects

(World Economy) Subdued growth projected to protract owing to the elevated global uncertainties

(United States) Lower-than-expected growth hovering around 2%, it is projected to sustain its current level as several risks including sluggish investment prevail

(China) Lower-than-expected growth hovering around 6% projected, along with the contraction of domestic market as a consequence of ineffective Chinese government's new industry nurture policies

(Eurozone) Better-than-expected growth projected to sustain. Notwithstanding with the Brexit uncertainties, compensation from the private consumption and the investment can carry the last year's growth rate.

(Japan) Projected to grow almost 0 growth level, along with the negligible support from the private sector

(Oil Prices) Limited rise expected as price upward pressure of supply surplus curtail offset by the price downward pressure influenced by the US Fed's base rate hike

(Demand & Supply) The supply surplus projected to narrow down as demand growth outpacing supply growth

(Speculative & Geopolitical Factor) In the midst of MENA geopolitical risks prolonging, the OPEC-Russia production cut summit and the US Fed's base rate hike would be the most important factors

(Foreign Exchange Rates) Strong dollar expected to prevail throughout 2016; while Euro projected to stay weak, Yen stronger than the previous year, and Yuan forecasted to weaken within a confined range.

(US Dollar) Expected to sustain the strong tendency along with auspicious economic figures and with the high probability of the US Fed's base rate hike decision

(Euro) Expected to sustain the weakening tendency along with the Brexit uncertainties

(Yen) Expected to hike marginally than the previous quarters due to the infeasibility of additional QE and flight-to-quality sentiment in the global FX market; nevertheless the weakening tendency shall prevail.

(Yuan) Expected to weaken within a confined degree as the Yuan joined the SDR basket in this October, its demand grows notwithstanding the Chinese government's constant efforts of depreciation

2. Outlook for Korean economy in 2016 ~ 2017

Growth rate : 16' 2.3% (1H 3.0% → 2H 1.7%) ⇒ 2017' 2.2%

(16' 2H) Growth of the 2nd half, expected to maintain its lower level than that of the 1st half's along with the deteriorating domestic fundamentals in the midst of global recession

(17') Growth of the next year, projected to generate lower figure than that of 16's along with elevated global uncertainties and the obsolete domestic pump-priming policies.

Private consumption : 16' 2.4% (1H 2.7% → 2H 2.0%) ⇒ 2017' 1.8%

(16' 2H) Growth of the 2nd half, expected to be lowered than that of the 1st half's along with the diminishing effect of monetary easing (base rate cut), supplementary budget plan and the ceasing of the temporal discount on the individual consumption tax.

(17') Growth of the next year, projected to be lowered than that of 16's as the growth of employment rate dwindles and the hike of interest payment is progressing in the midst of low level of APC.

Facility Investment : 16' -1.7% (1H -3.6% → 2H 0.2%) ⇒ 2017' 2.7%

(16' 2H) Growth in the 2nd half, expected to sustain its 0% level in the aftermath of restructuring policies along with the distinct accumulation of redundant facilities as a consequence of exacerbated domestic & external demands.

(17') Growth of the next year, projected to rebound to the positive territory, thanks to the stabilization of the aftermath as a consequence of inventory adjustment and restructuring policies. Nevertheless, it is, forecasted to achieve a marginal leap owing to the pressure of base rate hike and vigilance on the presidential election

Construction Investment : 16' 6.7% (1H 10.3% → 2H 3.7%) ⇒ 2017' 1.1%

(16' 2H) Growth of the 2nd half, expected to be lower than that of the 1st half's as the government's constant market stabilization policy for the construction sector and the inauspicious figures in the real estate market

(17') Growth of the next year, projected to generate a big fall along with the government's budget cut in the SOC while the shrinking of the real estate market is lingering

**Export growth (BOP basis)
: 16' -7.3% (1H -11.1% →
2H -3.5%) ⇒ 2017' 2.9%**

(16' 2H) Loss on the export value of the 2nd half will be alleviated than that of the 1st half's as the reduction of price offsets the reduction of total volume.

(17') Low probability of regaining its resilience, along with the weakened export competitiveness and the insufficient countermeasures to cope with global uncertainties

**Current account surplus
(US\$ billion) : 16' 102.4 (1H
49.9 → 2H 52.6) ⇒ 2017' 98**

(16' 2H) Growth of the 2nd half, expected to grow marginally than that of the 1st half's as the surplus of goods sustains and the primary balance is projected to improve.

(17') Growth of the next year, expected to be reduced by a negligible degree than that of the 16's

**Consumer price : 16' 0.8%
(1H 0.9% → 2H 0.6%) ⇒
2017' 1.1%**

(16' 2H) Growth of the 2nd half, expected to dwindle compared to the 1st half. All factors, in terms of the KRW depreciation, temporal price drop during the summer electricity bill, and the implementation of the anti-corruption law, are all pushing down the increment of the consumer price.

(17') Growth of the next year, expected to rise marginally as minus GDP gap sustains, the average USD/KRW increases, and the confined rise of the crude oil price.

**Corporate bond yield (3yr,
AA-) : 16' 1.8% (1H 1.9%
→ 2H 1.7%) ⇒ 2017' 2.0%**

(16' 2H) The corporate yield, projected to decline marginally in the 2nd half than that of the 1st half's along with the postponed US Fed's base rate decision and the sluggish domestic growth.

(17') The corporate yield, projected to rise by a small margin than that of 16's along with the limited effect of the US Fed's base rate hike on the Korean market and with the sluggish growth of the Korean economy.

**USD/KRW : 16' 1,154 won
(1H 1,182 won → 2H 1,126
won) ⇒ 2017' 1,138 won**

(16' 2H) The USD/KRW projected to rise in the 2nd half than that of the 1st half's due to the delayed base rate decision of the US Fed's and the limited influence of Brexit on Korean market.

(17') The USD/KRW, projected to convert into the gradual rise in the 4Q16 and to sustain its level throughout 17' as aftermath of the US Fed's tapering and of the Brexit influences on dollar

Outlook for Korean Economy in 2016 ~ 2017

(Unit: YoY(%), US\$100mil(Balance of Payment))

	2015			2016			2017
	1H	2H	Year	1H	2H	Year	Year
GDP	2.3	2.9	2.6	3.0	1.7	2.3	2.2
Private Consumption	1.6	2.7	2.2	2.7	2.0	2.4	1.8
Construction Investment	0.9	6.6	3.9	10.3	3.7	6.7	1.1
Facilities Investment	5.4	5.2	5.3	-3.6	0.2	-1.7	2.7
Export(Goods & Services)	0.0	1.5	0.8	1.3	1.9	1.6	2.5
Import(Goods & Services)	1.8	4.6	3.2	2.6	2.2	2.4	2.3
Consumer Price	0.5	0.9	0.7	0.9	0.6	0.8	1.1
Producer Price	-3.6	-4.4	-4.0	-3.1	-2.5	-2.8	-0.3
Current Account Bal	503.6	555.1	1058.7	498.7	525.5	1024.2	979.9
Bal of Goods	579.0	623.9	1202.9	608.9	619.6	1228.5	1199.3
Export(BOP basis)	2767.0	2721.4	5488.4	2458.8	2626.3	5085.1	5234.0
(growth rate, %)	-10.6	-10.3	-10.5	-11.1	-3.5	-7.3	2.9
Import(BOP basis)	2188.0	2097.5	4285.5	1849.9	2006.6	3856.6	4034.8
(growth rate, %)	-18.0	-18.5	-18.2	-15.5	-4.3	-10.0	4.6
Service and other bals*	-75.4	-68.8	-144.2	-110.2	-94.1	-204.3	-219.4
FX rate(USD/KRW, avg)	1099.0	1162.7	1130.9	1182.4	1126.0	1154.2	1138.0
Corp bond yield(3yrs, AA-)	2.2	2.0	2.1	1.9	1.7	1.8	2.0
Unemployment rate(%)	4.0	3.3	3.6	4.1	3.4	3.7	3.9
Changes in number of employed persons	331.0	343.0	337.0	288.0	316.9	302.5	254.2

*Sum of service balance, primary balance, and secondary balance

Policy Issue:

Where would the global growth proceed to? Estimation by the long term trend analysis

Conducted by CPB World Trade Monitor, the long term trend of global trade volume and industrial production has been analyzed

The long term trend of global trade volume and industrial production has been calculated by three filters in terms of the widely used Hodrick-Prescott Filter (HP Filter), Rotemberg and the asymmetric Christiano-Fitzgerald Filter. Generated results were as follows. The world economy has undergone the total of 6 economic cycles after 1991 and the average economic cycle is about 15 quarters (4.25 years), and expanding phase is longer by 1.5~2.6 quarters than the contracting phase (asymmetric cycle phases).

The cycle of global economic growth

(Unit: Q)

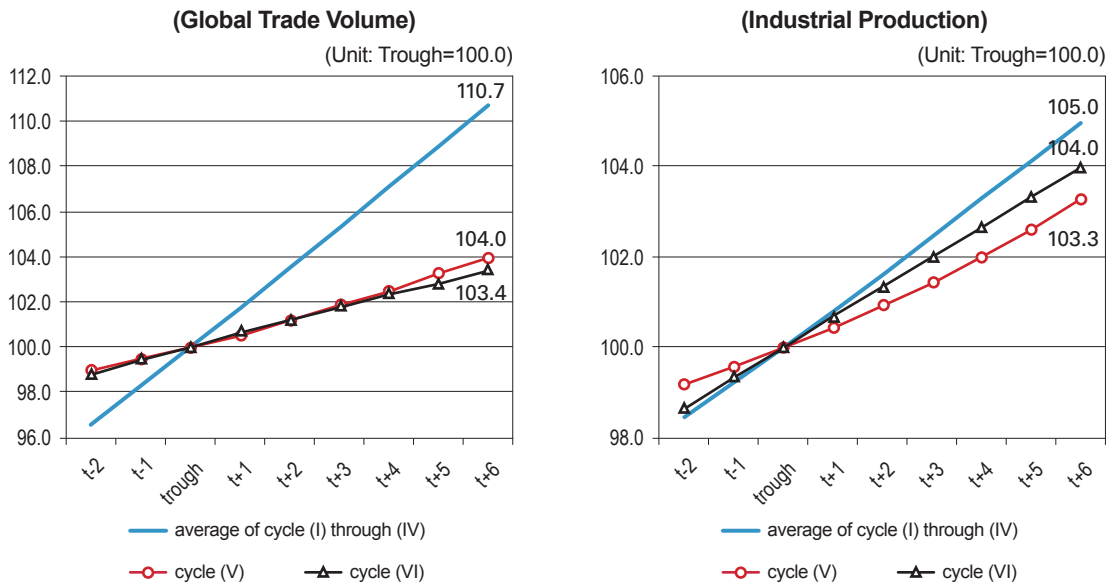
	Global Trade Volume Basis				Industrial Production Basis			
	Trough	Peak	Expansion	Contraction	Trough	Peak	Expansion	Contraction
(I)	93Q1	94Q4	7	6	93Q4	94Q4	4	5
(II)	96Q2	97Q3	5	6	96Q1	97Q3	6	6
(III)	99Q1	00Q4	7	6	99Q1	00Q3	6	11
(IV)	03Q2	08Q1	19	5	03Q2	08Q1	19	4
(V)	09Q2	11Q2	8	11	09Q1	12Q1	12	5
(VI)	14Q1	15Q1	4		13Q2	14Q4	6	
average			8.3	6.8			8.8	6.2

Source: calculation by writer (based on CPB World Trade Monitor)

The long term trend of global trade volume trimmed down drastically in the aftermath of the global financial crisis and it had plummeted further after the 1st quarter of 2015. Especially for the industrial production, it lost its resilience of recovery from the dip occurred at the global financial crisis.

The long term trend of global trade volume had lowered as a consequence of the 2008~9 global financial crisis and has exacerbated further recently. The global trade volume had passed the economic troughs during the (I)~(IV) cycles and had grown 10.7% for the 6 quarters after the trough, while it rose only by 4.0% since the financial crisis. To make matters worse, the long term trend of global trade volume had only grown by 3.4% for the 6 quarters after the trough in 1Q14. For the industrial production aspect, the long term trend dampened after the global financial crisis and only recently, it's showing a tendency of recovery. The industrial production had passed economic troughs during the (I)~(IV) economic cycles and grown 5.0% for the 6 quarters after the trough, while it rose only 3.3% in the aftermath of financial crisis. One auspicious factor was the long term trend of industrial production after the through in the 1Q13, which had recovered to 4.0% for the 6 successive quarters.

The comparison of growth of global trade volume and industrial production (HP Filter)



Source: calculation by writer (based on CPB World Trade Monitor)
 Footnote 1: Shows the long term growing trend after the passing of economic trough
 Footnote2: CF filter and Rotemberg filter both shows similar results qualitatively

The instant recover from the sluggish economy is rarely achievable as the lack of longer term aggregate demand is likely to be sustained.

The stimulation through the private as well as the public consumption for the total demand increment is highly infeasible as the debt as a proportion of GDP has been increased for 20 years. The household, corporate, and government debts as a proportion of GDP exceeded 600% in most countries, and the UK and Japan already passed the 1000% level. Moreover, the growth of global working age population is slowing down while the median age and dependency ratio are rising as the aging population takes the more proportion. Not only the consumption, but also the production facilities and new investment are all likely to be stalled in the near future. Japan already entered the working age population reduction in the 2000s, and Euro Area even entered the minus growth of working age population in the 2010s. The median age of developed nations 40 is likely to grow to 45 in 2035 and of developing nations'29 is likely to grow to 42 in the 2100s as well.

As to forestall the further sluggish economic growth and to maintain its aggregate demand and to expand the aggregate supply, it's more than necessary to promote fundamental betterment of Korean economy.

Now is the very moment to promote the long term efforts to cease the curl of the aggregate demand. First, several remedies to discontinue the radical consumption cliff must be introduced. Household debt should be managed further, and the current consumption environment and the labor market for seniors should be repaired as well. Moreover, trials to overcome the low growth are pivotal to rebound the consumption level. Second, effective means to boost the investment must be introduced. If the sustainable improvement for the firms is successfully grounded on the economic incentives, the recovery on the investment will follow. Thirdly, measures to induce enough influx to the domestic market must be implemented. Cutting the corporate tax, providing investment incentives, deregulating unnecessary measures could be efficacious. In addition to the abovementioned recommendations, the newly devised aggregate supply boosting policies, should be implemented concurrently with the total demand boosting policies considering the deep regression of the current economy. New industries for the further growth should be nurtured, while the labor market must be reformed. AI (Artificial Intelligence), drones, bio-industry, healthcare all are the new industries that we should put our eyes one for the near future. In order to foster the new industries, bold regulation reforms are needed. Finally, the total supply of labor should be increased by implementing selective hours of working compensation depending on the performances, salary peak system, and the flexible labor market.

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