



# BRIDGING THE PACIFIC

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News From **KOREA**

## U.S. Economic Upturn Seen to Continue Korea's Monthly Imports Exceeds US\$20 Bil in 2004

The Korean economy, on the strength of exports and front-loaded budget execution, grew 5.4% in the first half of 2004. However, very slow domestic demand held growth to the 4% range in the second half of the year. Overall, analysts estimate growth for 2004 to come in at 5%, generating more than 400,000 new jobs.

Meanwhile, U.S. economic growth is projected to reach 4.4% for 2004, up a strong 1.4 percentage points from the year before. The U.S. expansion was fueled by private consumption, which reached a growth rate of 3.6% in 2004 compared with 3.3% in 2003, and fixed investment, which nearly doubled in growth rate from 4.5% in 2003 to 8.9% in 2004.

Despite the setback in domestic demand, Korean exports enjoyed an unexpected rally, totaling US\$230 billion in the January-November period and easily exceeding the US\$193.8 billion recorded for all of 2003. Of particular note, monthly exports averaged US\$21 billion and hit US\$23.3 billion in November. Moreover, Korea's monthly average imports also reached the US\$20 billion mark for the first time. The nation first surpassed the US\$10 billion threshold in terms of monthly imports in December 1994.

Korea's trade surplus for all of 2004 is projected to be US\$28 billion.

### Prospects for 2005

The United States, the engine of the global economy, is expected to sustain its growth momentum in 2005, based on continued strong performance in domestic demand and investment. Despite high oil prices and higher interest rates, the OECD projects that U.S. economic growth will exceed 3% in 2005.

Meanwhile, Korea's exports are expected to decline markedly in terms of growth rate in 2005 largely due to the slower growth of the global economy, as well as base effects caused by the high growth rate of near 30% in 2004, the strengthening won, etc.

On the other hand, private consumption is expected to grow

in the 2% range owing to a gradual improvement in the employment situation and to the technical effect of two years of sustained consumption shrinkage. Facility investment is also forecast to continue at a 4.3% level of growth thanks to accumulated investment pressure from this year's brisk export performance and improvements in the financial condition of businesses in the manufacturing sector.

The latest statistics indicate that the Korean economy is being led by exports and the U.S. economy by private consumption. However, projections indicate that domestic demand in Korea will rebound in 2005 after falling 0.5%. This indicates that there will be more opportunities for U.S. businesses in both trade and investment.

### Economic Outlook

(Unit : %)

		2003	2004	2005	2006
GDP	U.S.A	3.0	4.4	3.3	3.6
	Korea	3.1	5.0	4.5	5.0
	OECD	2.2	3.6	2.9	3.1
Private consumption	U.S.A	3.3	3.6	3.1	3.1
	Korea	-1.4	-0.5	2.0	3.2
	OECD	2.2	2.9	2.5	2.7
Total fixed investment	U.S.A	4.5	8.9	5.8	5.9
	Korea	3.6	3.5	4.3	3.8
	OECD	2.7	6.0	4.5	4.7
Net exports contribution to growth	U.S.A	-0.5	-0.6	-0.3	-0.1
	Korea	2.8	4.0	1.5	1.9
	OECD	-0.4	-0.1	0.0	0.1
Unemployment rate	U.S.A	6.0	5.5	5.3	5.1
	Korea	3.4	3.5	3.5	3.4
	OECD	6.9	6.6	6.5	6.3
Consumer price increase	U.S.A	2.3	2.6	2.4	2.1
	Korea	3.5	3.7	3.5	3.0
	OECD	-	-	-	-
Current account ratio against GDP	U.S.A	-4.8	-5.7	-6.2	-6.4
	Korea	2.0	3.7	2.7	2.7
	OECD	-1.1	-1.2	-1.4	-1.3

Source: OECD