

KOREA

Following the severe contraction in late 2008, Korea has achieved one of the earliest and strongest recoveries in the OECD area, led by exports and expansionary fiscal policy. While the impact of fiscal stimulus will fade in 2010, a sustained pick-up in exports is projected to help boost output growth to 4 to 4½ per cent in both 2010 and 2011, with a rebound in domestic demand and a marked fall in unemployment.

As the recovery takes hold, the growth of government spending should be scaled back to bring the budget back into balance, in line with the mid-term fiscal management plan. Other exceptional measures to stabilise the economy, such as the expanded support to small and medium-sized enterprises, should be phased out. Structural reforms to enhance productivity, notably in the non-manufacturing sector, are needed to sustain growth over the medium term.

Korea: Demand, output and prices

	2006	2007	2008	2009	2010	2011
	Current prices KRW trillion	Percentage changes, volume (2005 prices)				
Private consumption	494.9	5.1	0.9	0.2	2.9	3.2
Government consumption	131.9	5.4	4.2	5.8	3.0	4.1
Gross fixed capital formation	260.7	4.2	-1.7	-1.7	3.6	4.9
Final domestic demand	887.5	4.9	0.7	0.5	3.1	3.8
Stockbuilding ¹	8.7	-0.2	0.7	-5.0	1.6	0.0
Total domestic demand	896.1	4.7	1.4	-4.5	4.9	3.9
Exports of goods and services	360.6	12.6	5.7	-0.1	13.4	12.9
Imports of goods and services	348.0	11.7	3.7	-8.2	15.1	12.5
Net exports ¹	12.6	0.5	0.9	4.4	-0.4	0.3
GDP at market prices	908.7	5.1	2.2	0.1	4.4	4.2
GDP deflator	—	2.1	2.7	2.8	0.4	2.0
<i>Memorandum items</i>						
Consumer price index	—	2.5	4.7	2.7	2.8	3.0
Private consumption deflator	—	2.0	4.2	2.5	2.8	3.0
Unemployment rate	—	3.2	3.2	3.8	3.6	3.4
Household saving ratio ²	—	2.9	2.8	3.9	3.0	3.2
General government financial balance ³	—	4.7	3.3	-1.8	0.4	1.1
Current account balance ³	—	0.6	-0.6	4.6	1.3	1.0

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 86 database.

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