

## **20120117 BOK: Current Economic Developments in Korea**

### **Source: Bank of Korea**

Domestic economic activity is showing signs □ of contraction, due to mounting uncertainty stemming for instance from the euro area sovereign debt problems.

○ During November, retail sales and construction investment declined compared to the preceding month, and both manufacturing and services production also fell.  
— Facilities investment increased, affected by the base effect from the marked decrease during the preceding month. Exports maintained their underlying trend of increase.

○ On a year-on-year basis, the upward trends of consumption and production indicators slowed and investment indicators declined.

□ In the coming months, the Korean economy is expected to maintain only a moderate trend of growth for the time being, influenced by the euro area sovereign debt problems. In terms of the upside and downside risks to its future growth path, the downside dominate.

○ As regards consumer prices, their uptrend will slow as base effects come into play, but upside risks have increased due to the heightened geopolitical risks in the Middle East.

— The fall in core inflation is meanwhile expected to be limited, affected mostly by inflation expectations.

○ The current account is forecast to maintain its underlying surplus, but its scale will narrow in January and February due to seasonal factors.

### **NovaRes Team**