

The Green Book

Current Economic Trends

Overview

The Korean economy has seen employment continue to recover, despite weak key real economic indicators and with the possibilities of rising prices remaining.

Employment continued to rise in November, led by the service sector, adding 479,000 jobs, with the employment rate and the unemployment rate staying in good shape at 59.7 percent and 2.9 percent, respectively.

Consumer price inflation stayed in the 4 percent range in December, up 4.2 percent year-on-year, as core prices rose at a faster pace from 3.5 percent to 3.6 percent and the prices of agricultural, livestock & fishery products increased due to seasonal factors.

Mining and manufacturing production declined 0.4 percent month-on-month in November due to a decrease in semiconductors and audio-visual communications equipment, while service output fell 0.5 percent as wholesale & retail sales and printing & film went down.

In November retail sales fell 0.6 percent from the previous month, as the sales of semi-durable goods, such as clothing, and non-durable goods, in particular gasoline, declined despite an improvement in durable goods sales led by strong sales of communications equipment.

Facilities investment increased 7.7 percent month-on-month in November, as both machinery and transportation equipment investment rose, while construction completed decreased 9.2 percent with construction and civil engineering works both declining.

Trade continued to maintain a positive balance, posting a surplus of around US\$4 billion in December, while exports went on with a double digit increase, rising 12.5 percent year-on-year.

The cyclical indicator of the coincident composite index fell 0.6 points from the previous month in November, as the domestic shipment index went down. The leading composite index rose 0.1 percentage point year-on-year from the previous month, as the consumer expectations index and value of machinery orders received improved.

In December, volatility in the financial markets increased to some extent as stock prices and foreign exchange rates were affected by unstable internal and external situations, while bond markets stayed stable. The sudden death of North Korean leader Kim Jong-il had a limited impact on financial markets, with major financial institutions asserting that the event would not affect Korea's credit rating or long term stock prices.

Housing markets stabilized in November compared with the previous month, as housing prices and rent fell in the Seoul metropolitan area and the increase rate narrowed in other areas.

Amid the continuing European debt crisis, external uncertainties have expanded due to concerns over an oil price increase caused by the unrest in the Middle East.

The Korean government will closely monitor local and global economic situations and swiftly respond to any changes, while renewing efforts to help the economy keep recovering and prices continue stabilizing. In the meantime, it will pursue better livelihoods for working class families through active job creation and the stable prices of necessities, and push forward economic restructuring in a way to secure sustainable growth.

1. External economic situation

The US economic recovery is continuing and worries over a global economic recession have slightly eased, but downward risks from the continuing European financial woes are still a main concern.

Despite an agreement by EU leaders and policy measures by the European Central Bank such as the supply of liquidity, there is a possibility that the financial unease will resurface because of the expiration of debt and elections in crisis-hit countries in the first half of 2012.

In a summit held on December 8-9, EU leaders signed a new financial agreement, while the ECB lowered its policy rate from 1.25 percent to 1.0 percent on December 8 and supplied 489.2 billion euros worth of long-term loans to banks on December 20.

US

US economic growth in the third quarter was revised downward from 2.0 percent to 1.8 percent (*annualized q-o-q*), but the economic recovery continued with the improvement of consumption and employment indicators.

Consumer sentiment is improving following a sharp decline that was caused by financial market unease from the European debt crisis, and the growth of retail sales is continuing.

University of Michigan consumer sentiment index

63.7 (Jul 2011) ↻ 55.7 (Aug) ↻ 59.4 (Sep) ↻ 60.9 (Oct) ↻ 64.1 (Nov) ↻ 69.9 (Dec)

Retail sales (m-o-m, %)

0.2 (Apr 2011) ↻ 0.0 (May) ↻ 0.2 (Jun) ↻ 0.4 (Jul) ↻ 0.3 (Aug) ↻ 1.3 (Sep) ↻ 0.6 (Oct) ↻ 0.2 (Nov)

The ISM Manufacturing Index, which shows the situation of the manufacturing industry, continued to improve.

ISM manufacturing Index (base=50)

55.3 (Jun 2011) ↻ 50.9 (Jul) ↻ 50.6 (Aug) ↻ 51.6 (Sep) ↻ 50.8 (Oct) ↻ 52.7 (Nov) ↻ 53.9 (Dec)

The recovery of the job market gained momentum as the unemployment rate plunged and applications for unemployment benefits fell to 375,000, the lowest number since June 2008.

Although housing prices continued to decline, some indicators improved in November, with existing home sales rising 4.0 percent month-on-month and housing starts up 9.3 percent.

Case-Shiller home price index (seasonally adjusted)

141.0 (Jun 2011) ↻ 140.9 (Jul) ↻ 140.3 (Aug) ↻ 139.4 (Sep) ↻ 138.6 (Oct)

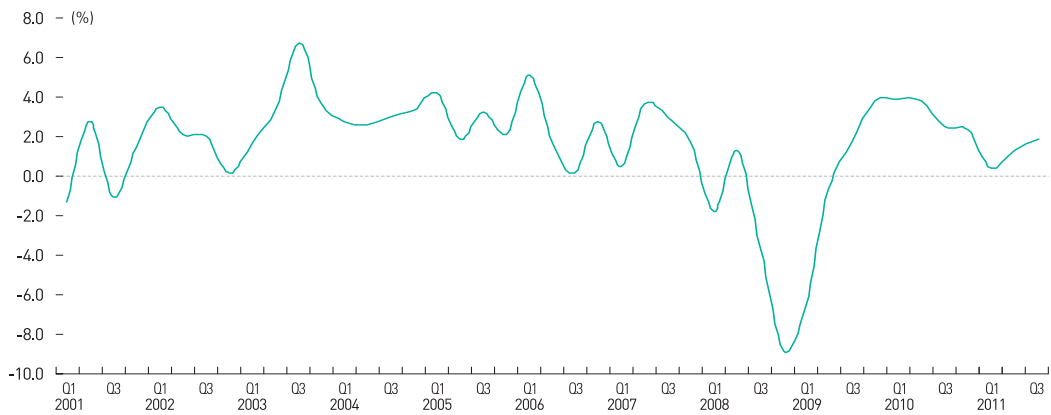
(Percentage change from previous period)

	2009		2010		2011 ¹					
	Annual	Annual	Q3	Q4	Q1	Q2	Q3	Sep	Oct	Nov
Real GDP ²	-3.5	3.0	2.5	2.3	0.4	1.3	1.8	-	-	-
- Personal consumption expenditure	-1.9	2.0	2.6	3.6	2.1	0.7	1.7	-	-	-
- Corporate fixed investment	-17.8	4.4	11.3	8.7	2.1	10.3	15.7	-	-	-
- Housing construction investment	-16.0	14.6	-27.7	2.5	-2.4	4.2	1.3	-	-	-
Industrial production	-11.0	5.7	1.6	0.8	1.2	0.2	1.5	0.0	0.7	-0.2
Retail sales	-1.7	3.8	0.9	1.4	1.5	1.0	1.0	0.7	0.1	0.1
Existing home sales	5.6	-3.4	-24.7	13.5	9.0	-5.2	-0.2	-3.0	1.4	4.0
Unemployment rate ³	9.3	9.6	9.6	9.6	8.9	9.1	9.1	9.1	9.0	8.6
Consumer prices	-0.3	1.6	0.4	0.7	1.3	1.0	0.8	0.3	-0.1	0.0

1. Preliminary 2. Annualized rate (%) 3. Seasonally adjusted Source: US Department of Commerce

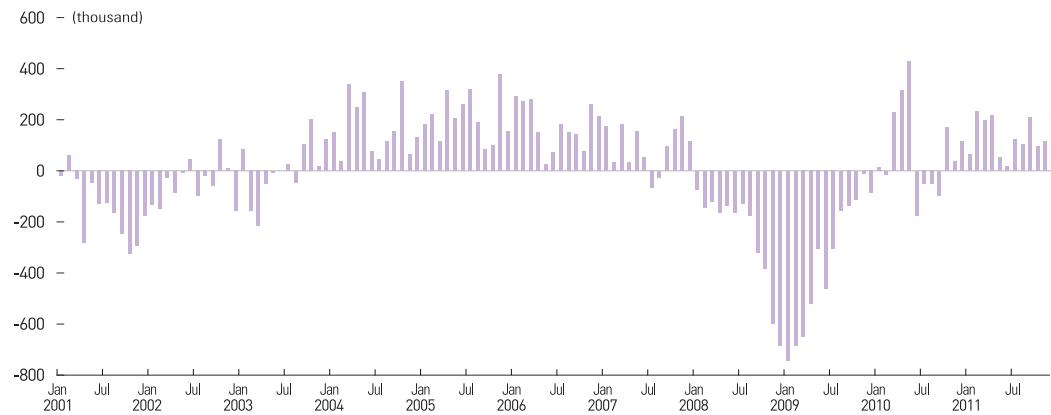
1-1 US GDP (q-o-q, annualized rate)

Source: US Department of Commerce



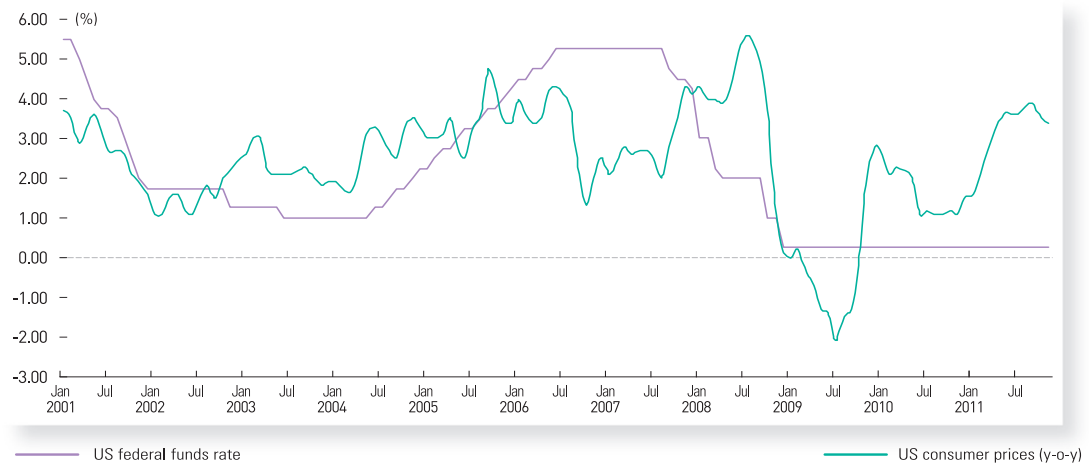
1-2 US non-farm payroll employment (m-o-m change)

Source: US Department of Labor



1-3 US federal funds rate and consumer prices

Source: US Federal Reserve Board & Department of Labor



China

China's industrial production and exports slowed down in line with a setback in the global economy, but the robust growth of domestic demand, such as fixed asset investment and retail sales, continued.

The manufacturing Purchasing Managers' Index (PMI), which fell short of the base level of 50 and hit its lowest in 33 months in November, rose slightly and surpassed the base level in December.

Manufacturing PMI (base=50)

50.9 (Jun 2011) ↻ 50.7 (Jul) ↻ 50.9 (Aug) ↻ 51.2 (Sep) ↻ 50.4 (Oct) ↻ 49.0 (Nov) ↻ 50.3 (Dec)

(Percentage change from same period in previous year)

	2009	2010			2011 ¹					
	Annual	Annual	Q3	Q4	Q1	Q2	Q3	Sep	Oct	Nov
Real GDP	9.1	10.3	9.6	9.8	9.7	9.5	9.1	-	-	-
Industrial production ²	11.0	15.7	13.5	13.3	14.9	13.9	13.8	13.8	13.2	12.4
Fixed asset investment (accumulated)	30.5	24.5	24.5	24.5	32.5	27.0	28.0	28.0	28.7	27.9
Retail sales	15.5	23.3	23.9	22.0	17.1	18.2	17.3	17.7	17.2	17.3
Exports	-16.0	31.3	32.2	24.9	26.4	22.0	20.5	17.1	15.9	13.8
Consumer prices ²	-0.7	3.3	3.5	4.7	4.9	5.7	6.3	6.1	5.5	4.2
Producer prices ²	-5.4	5.5	4.5	5.7	7.0	6.9	7.1	6.5	5.0	2.7

1. Preliminary

2. Quarterly change: average of monthly change

Source: China National Bureau of Statistics

Japan

Japan's exports declined for the second month in a row due to the slowdown of the global economy, the strong yen and flood damage in Thailand, while industrial production and retail sales went down.

The Bank of Japan assessed on December 22 that the economic recovery had slowed down to a certain extent, following its forecast on December 15 that business conditions would worsen in the first quarter of 2012.

(Percentage change from previous period)

	2009	2010			2011 ¹					
	Annual	Annual	Q3	Q4	Q1	Q2	Q3	Sep	Oct	Nov
Real GDP	-6.3	4.0	0.8	-0.3	-0.7	-0.3	1.5	-	-	-
Industrial production	-21.9	16.4	-1.1	-0.1	-2.0	-4.0	4.3	-3.3	2.2	-2.6
Retail sales (y-o-y)	-2.3	2.5	3.2	-0.4	-3.0	-1.7	-1.0	-1.1	1.9	-2.3
Exports (y-o-y)	-33.1	24.4	17.8	10.0	2.4	-8.0	0.5	2.3	-3.8	-4.5
Consumer prices (y-o-y)	-1.4	-0.7	-0.8	0.1	-0.4	-0.4	0.1	0.0	-0.2	-0.5

1. Preliminary Sources: Japan's Statistics Bureau and Statistics Centre, Ministry of Economy, Trade and Industry, Ministry of Finance

Eurozone

The eurozone economy had seen industrial production decline and exports slow down, while the manufacturing PMI fell short of the base level of 50 for the fifth straight month.

Manufacturing PMI (base=50)

50.4 (Jul 2011) ↻ 49.0 (Aug) ↻ 48.5 (Sep) ↻ 47.1 (Oct) ↻ 46.4 (Nov) ↻ 46.9 (Dec)

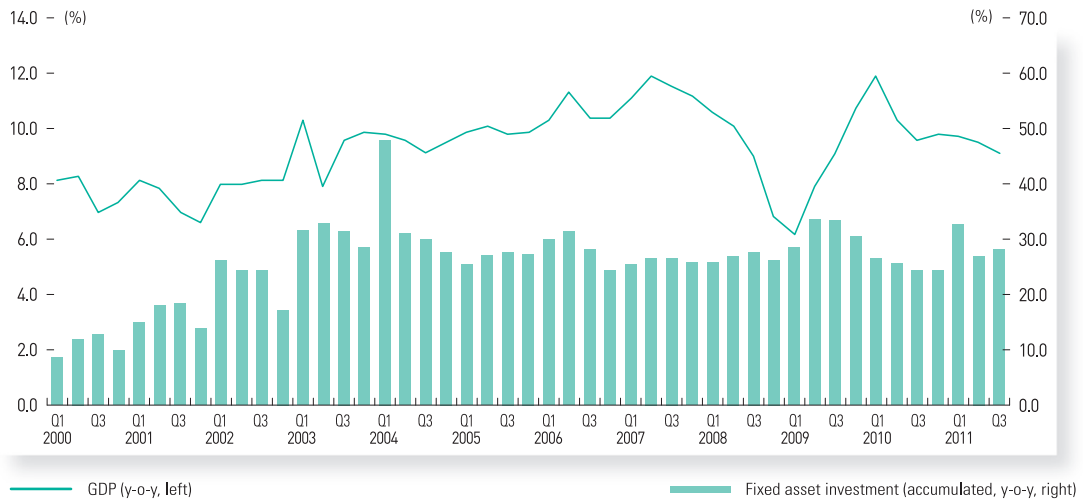
(Percentage change from previous period)

	2009	2010			2011 ¹					
	Annual	Annual	Q3	Q4	Q1	Q2	Q3	Sep	Oct	Nov
Real GDP	-4.1	1.8	0.4	0.3	0.8	0.2	0.2	-	-	-
Industrial production	-14.7	7.4	1.0	1.8	1.0	0.4	0.7	-2.0	-0.1	-
Retail sales	-2.4	0.8	0.2	0.3	-0.1	-0.3	0.0	-0.6	0.4	-
Exports (y-o-y)	-18.1	20.1	22.8	21.8	21.7	13.0	9.4	9.8	5.7	-
Consumer prices (y-o-y)	0.3	1.6	1.7	2.0	2.4	2.7	2.6	3.0	3.0	3.0

1. Preliminary Source: Eurostat

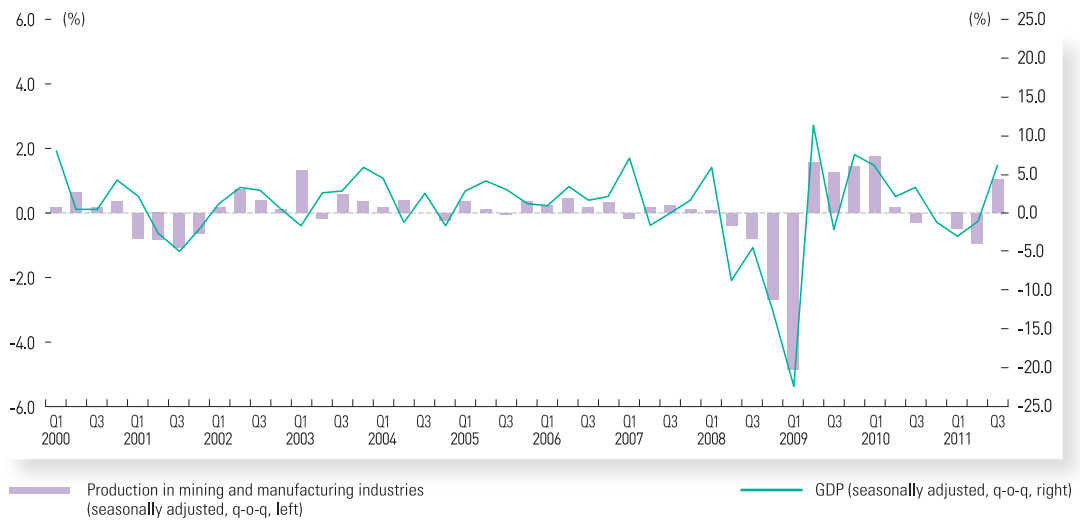
1-4 China's GDP and fixed asset investment

Source: National Bureau of Statistics of China



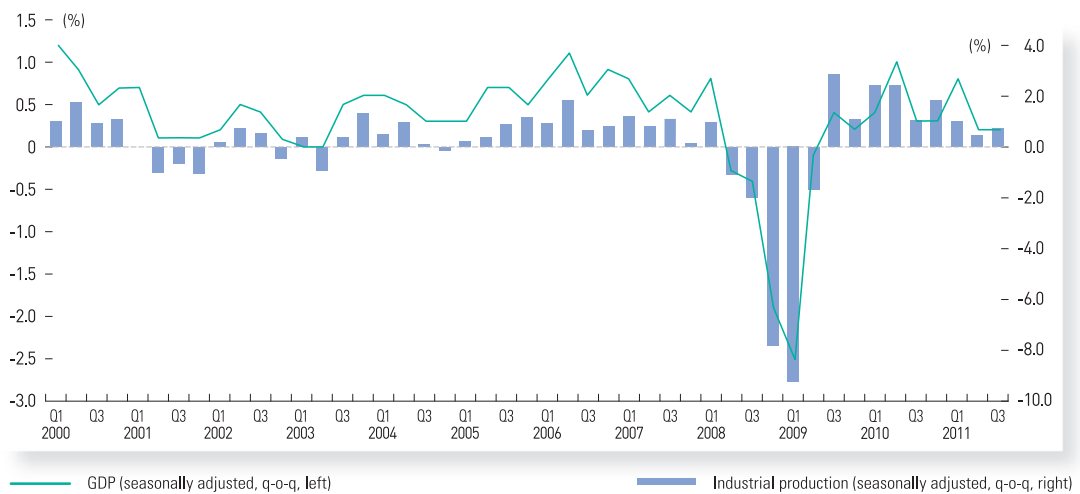
1-5 Japan's GDP growth

Source: Cabinet Office & Ministry of Economy, Trade and Industry, Japan



1-6 Eurozone GDP growth and industrial production

Source: Eurostat



2. Private consumption

Private consumption (*preliminary*) rose 0.4 percent quarter-on-quarter and 2.0 percent year-on-year in the third quarter of 2011.

(Percentage change from previous period)

	2009			2010 ¹					2011 ¹		
	Annual	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Private consumption ²	0.0	1.4	0.9	4.1	0.5	0.7	1.4	0.3	0.4	0.9	0.4
y-o-y	-	0.4	5.6	-	6.6	3.5	3.6	2.9	2.8	3.0	2.0

1. Preliminary 2. National accounts

Source: The Bank of Korea

Retail sales fell 0.6 percent month-on-month in November as sales of semi-durable goods declined, with a drop in sales of clothes due to unseasonably high temperatures, and sales of non-durable goods such as fuel for vehicles dropped. Year-on-year, retail sales gained 0.5 percent.

Sales of durable goods made a favorable turn, climbing 3.8 percent from the previous month, with strong sales of computers and communications equipment, although automobile sales declined.

(Percentage change from previous period)

	2009		2010		2011 ¹					
	Annual	Annual	Q3	Q4	Q1	Q2	Q3	Sep	Oct ¹	Nov ¹
Consumer goods sales	2.7	6.6	3.3	0.8	1.1	0.2	2.3	-3.2	0.6	-0.6
y-o-y	-	-	7.5	5.1	5.1	5.7	4.4	2.8	2.2	0.5
- Durable goods ²	8.2	14.9	8.6	3.3	6.2	-1.9	2.8	-5.8	-0.5	3.8
· Automobiles	21.8	11.1	7.9	5.0	4.9	-6.1	5.0	4.7	-10.0	-2.9
- Semi-durable goods ³	1.3	6.8	2.6	2.7	-2.5	3.0	1.0	1.7	-0.4	-5.0
- Non-durable goods ⁴	1.2	2.2	1.1	-1.4	0.0	0.0	3.3	-3.4	2.1	-1.7

1. Preliminary

2. Durable goods: Automobiles, electronic appliances, furniture, telecommunications devices, etc.

3. Semi-durable goods: Clothing, footwear, etc.

4. Non-durable goods: Food, medicine, cosmetics, fuel, tobacco, etc.

Source: Statistics Korea

Sales at department stores and large discounters dropped significantly month-on-month, but those at specialized retailers and nonstore retailers rose slightly.

(Percentage change from previous period)

	2009		2010		2011 ¹					
	Annual	Annual	Q3	Q4	Q1	Q2	Q3	Sep	Oct ¹	Nov ¹
- Department stores	4.3	8.8	1.4	3.4	3.6	0.8	-1.7	-8.0	3.7	-4.1
- Large discounters	-2.2	4.4	1.1	0.4	1.5	2.1	-1.0	-2.9	3.9	-5.7
- Specialized retailers ²	3.0	5.6	3.8	0.4	1.0	-0.6	3.0	-2.4	-1.9	1.4
- Nonstore retailers	8.7	15.6	1.6	4.3	2.4	0.3	2.3	-7.6	1.8	2.1

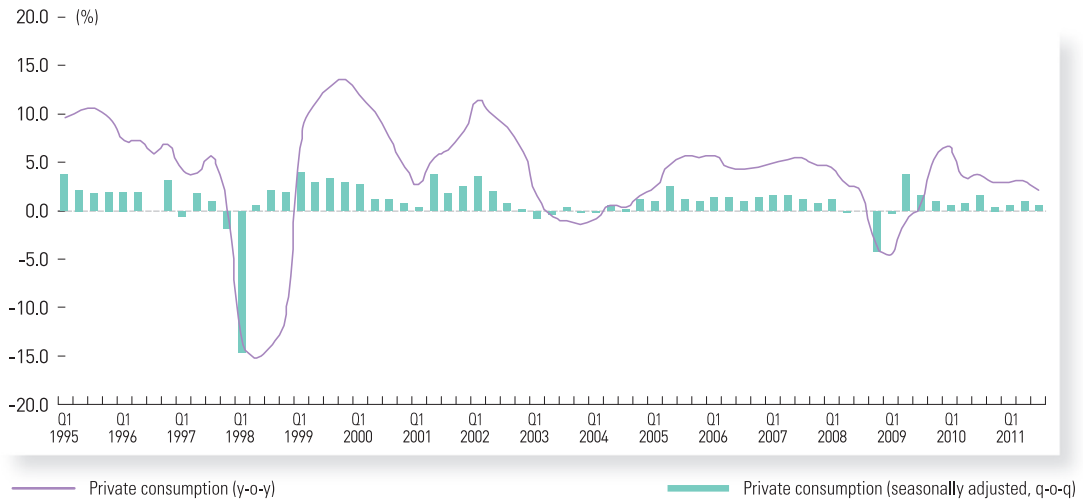
1. Preliminary

2. Specialized retailers are defined as stores carrying a few (1 to 3) specialized items.

Source: Statistics Korea

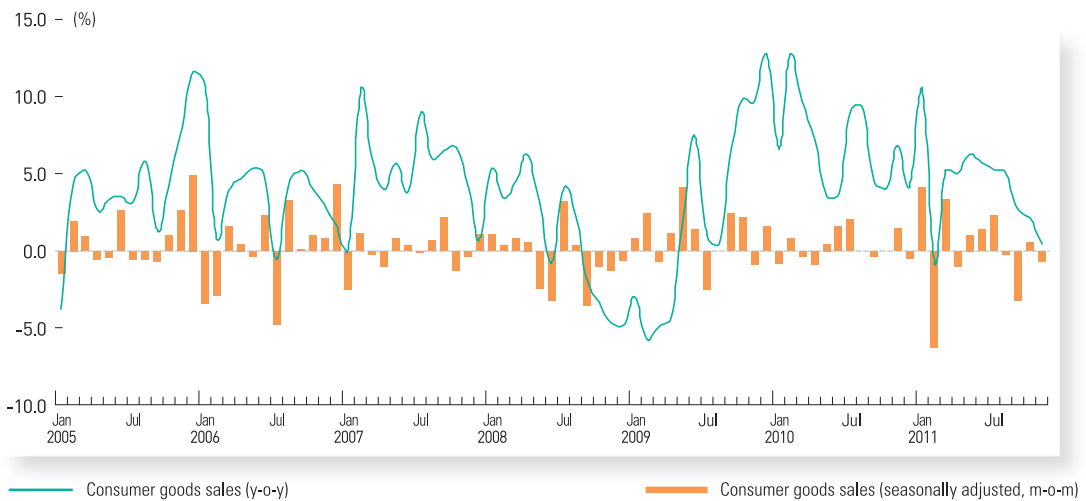
2-1 Private consumption

Source: The Bank of Korea (national accounts)



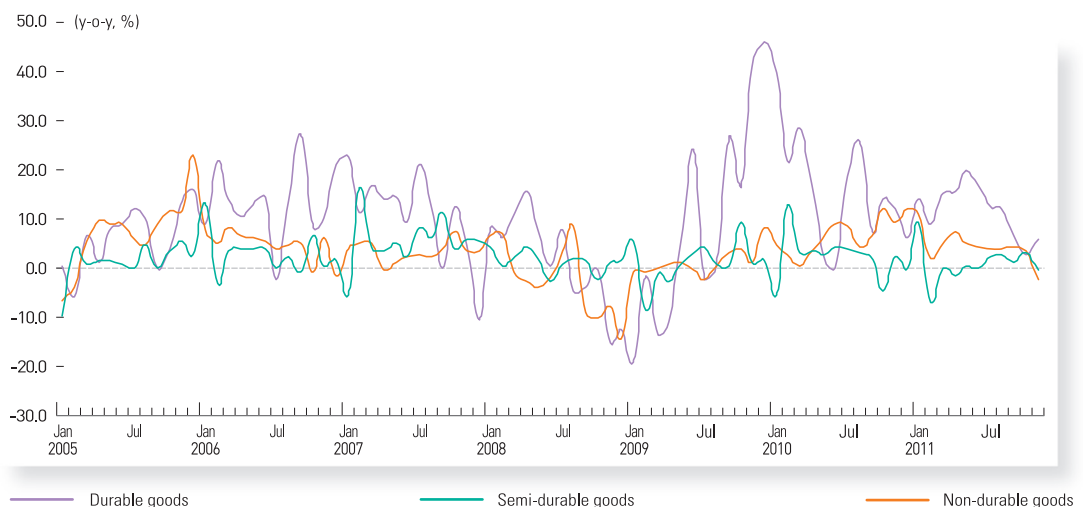
2-2 Consumer goods sales

Source: Statistics Korea (industrial activity trend)



2-3 Consumer goods sales by type

Source: Statistics Korea (industrial activity trend)



Considering advanced indicators, there is a possibility that retail sales will rebound in December from the slump of the previous month.

On a year-on-year basis, sales in the retail industry jumped in December, with those of department stores and discounters rising 7.6 percent and 3.8 percent, respectively, from a drop of 0.5 percent by both of them, while credit card use expanded an increase.

Car sales continued to decline year-on-year but the drop slowed down compared to the previous month.

Gasoline sales grew year-on-year from a 0.8 percent increase to 3.8 percent, due to the fall of gasoline prices.

Gasoline prices (won per liter)

1,965 (5th week of Nov 2011) ↻ 1,952 (1st week of Dec) ↻ 1,944 (2nd week) ↻ 1,938 (3rd week) ↻ 1,935 (4th week)

Credit card use (y-o-y, %)

16.6 (Jul 2011) ↻ 19.8 (Aug) ↻ 19.7 (Sep) ↻ 17.4 (Oct) ↻ 14.5 (Nov) ↻ 17.3 (Dec¹)

Department store sales (y-o-y, %)

8.5 (Jul 2011) ↻ 8.3 (Aug) ↻ 6.5 (Sep) ↻ 3.1 (Oct) ↻ -0.5 (Nov) ↻ 7.6 (Dec¹)

Large discounter sales (y-o-y, %)

4.9 (Jul 2011) ↻ 2.0 (Aug) ↻ -1.1 (Sep) ↻ 5.5 (Oct) ↻ -0.5 (Nov) ↻ 3.8 (Dec¹)

Domestic sales of gasoline (y-o-y, %)

9.2 (Jul 2011) ↻ -0.3 (Aug) ↻ 1.0 (Sep) ↻ -1.6 (Oct) ↻ 0.8 (Nov) ↻ 3.8 (Dec¹)

Domestic sales of cars (y-o-y, %)

6.1 (Jul 2011) ↻ 3.7 (Aug) ↻ 3.8 (Sep) ↻ -8.8 (Oct) ↻ -12.6 (Nov) ↻ -5.4 (Dec¹)

1. Preliminary

Sources: Ministry of Knowledge Economy

Credit Finance Association

Korea National Oil Corporation

Korea Customs Service

Korea Automobile Manufacturers Association

Ministry of Strategy and Finance (for December data)

Domestic and external uncertainties are forecast to limit consumption, although conditions related to consumption are improving in line with the weakening of inflationary pressure on prices, particularly those of food products, and the continuing recovery in employment.

Employment (y-o-y, thousand)

472 (Jun 2011) ↻ 335 (Jul) ↻ 490 (Aug) ↻ 264 (Sep) ↻ 501 (Oct) ↻ 479 (Nov)

Consumer prices (y-o-y, %)

4.2 (Jun 2011) ↻ 4.5 (Jul) ↻ 4.7 (Aug) ↻ 3.8 (Sep) ↻ 3.6 (Oct) ↻ 4.2 (Nov) ↻ 4.2 (Dec)

Fresh food prices (y-o-y, %)

6.6 (Jun 2011) ↻ 11.1 (Jul) ↻ 13.9 (Aug) ↻ -4.2 (Sep) ↻ -10.1 (Oct) ↻ -4.2 (Nov) ↻ -3.6 (Dec)

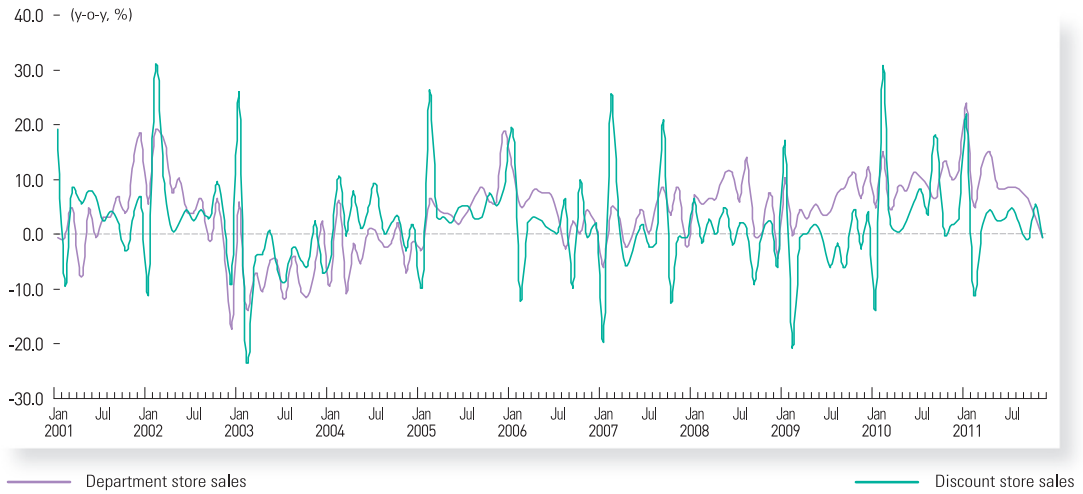
The consumer sentiment index fell below the benchmark affected by uncertainties from the continuing European fiscal unease and the death of North Korean leader Kim Jong-il.

Consumer sentiment index (CSI, base=100)

104 (May 2011) ↻ 102 (Jun) ↻ 102 (Jul) ↻ 99 (Aug) ↻ 99 (Sep) ↻ 100 (Oct) ↻ 103 (Nov) ↻ 99 (Dec)

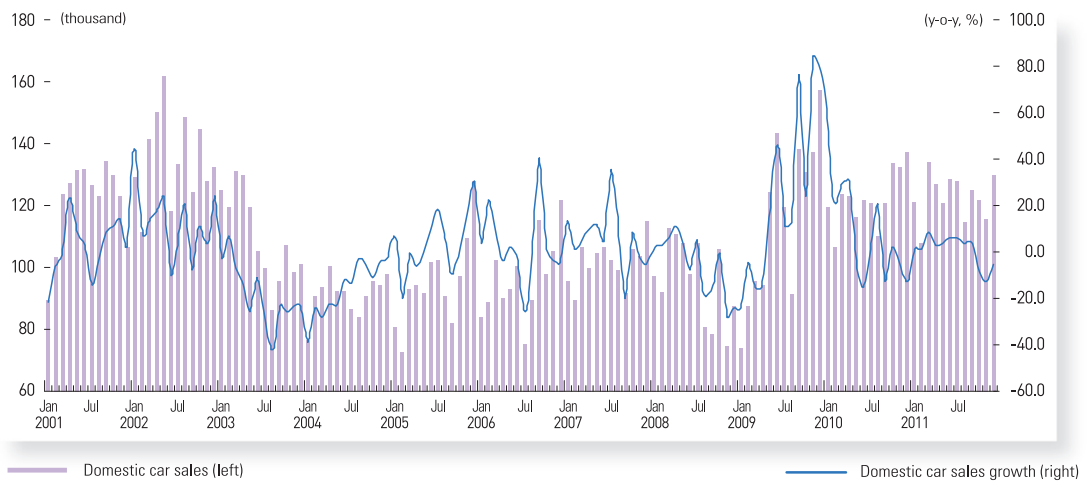
2-4 Department store and discount store sales (current value)

Source: Ministry of Knowledge Economy (monthly retail sales)



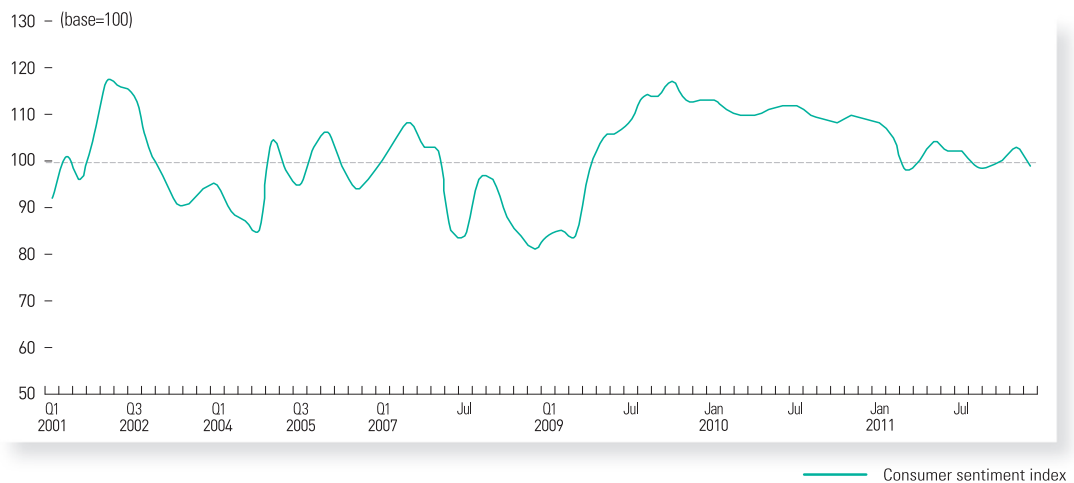
2-5 Domestic automobile sales

Source: Korea Automobile Manufacturers Association (monthly automobile industry trend)



2-6 Consumer sentiment index

Source: The Bank of Korea



3. Facility investment

Facility investment (*preliminary GDP*) in the third quarter of 2011 fell 0.8 percent quarter on quarter, but rose 1.0 percent year on year.

(Percentage change from previous quarter)

	2009		2010 ¹				2011 ¹		
	Annual	Annual	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Facility investment ²	-9.8	25.0	2.8	7.9	5.6	-1.0	-1.1	3.9	-0.8
y-o-y	-	-	29.1	30.5	26.6	15.9	11.7	7.5	1.0
- Machinery	-13.5	30.8	4.6	8.6	8.5	-2.2	-1.1	3.9	-1.5
- Transportation equipment	2.8	6.7	-3.8	5.5	-5.0	4.2	-1.2	4.2	1.8

1. Preliminary

2. National accounts

Source: The Bank of Korea

Facility investment, while falling 3.7 percent year-on-year, rose 7.7 percent month on month in November, as investment in both machinery and transportation equipment increased. Uncertainties in facility investment have expanded amid continuously worsening corporate investment sentiment and with leading indicators showing mixed signals. Although domestic machinery orders and machinery imports went up, the manufacturing operation ratio continued a downward track and facility investment adjustment pressure slowed down.

(Percentage change from previous quarter)

	2009		2010		2011 ¹					
	Annual	Annual	Q3	Q4	Q1	Q2	Q3	Sep	Oct ¹	Nov ¹
Facility investment	-9.4	25.1	7.2	-5.4	-0.2	3.0	-0.8	-2.0	-11.7	7.7
y-o-y	-	-	29.3	13.6	6.6	4.8	-3.5	-4.1	-11.4	-3.7
- Machinery	-13.5	30.8	7.8	-5.5	-1.8	6.5	-2.6	-2.5	-10.8	3.9
- Transportation equipment	2.8	6.7	4.4	-5.2	7.6	-12.5	8.6	0.5	-16.3	28.1

1. Preliminary

Source: Statistics Korea

(Percentage change from same period in previous year)

	2009		2010		2011 ¹					
	Annual	Annual	Q3	Q4	Q1	Q2	Q3	Sep	Oct ¹	Nov ¹
Domestic machinery orders	-10.3	11.2	-0.2	11.3	19.5	8.2	1.3	3.3	15.7	31.5
q-o-q, m-o-m	-	-	-3.6	4.1	3.6	3.9	-9.4	-4.3	1.7	28.8
- Public	62.4	-37.9	-71.7	31.4	-10.3	82.0	6.1	-19.1	198.7	366.3
- Private	-18.2	21.8	22.0	7.8	22.7	3.1	0.9	5.5	4.3	11.1
Machinery imports	-16.6	40.4	40.0	26.3	8.0	10.5	9.2	3.4	-7.6	8.8
Manufacturing operation ratio	-3.5	8.8	1.8	5.3	2.6	-0.3	-0.1	1.9	-2.1	-1.8
Facility investment adjustment pressure ²	-3.7	9.5	3.4	4.6	4.1	1.6	1.2	3.2	2.5	1.9

1. Preliminary

2. Production growth rate minus production capacity growth rate in the manufacturing sector (%p)

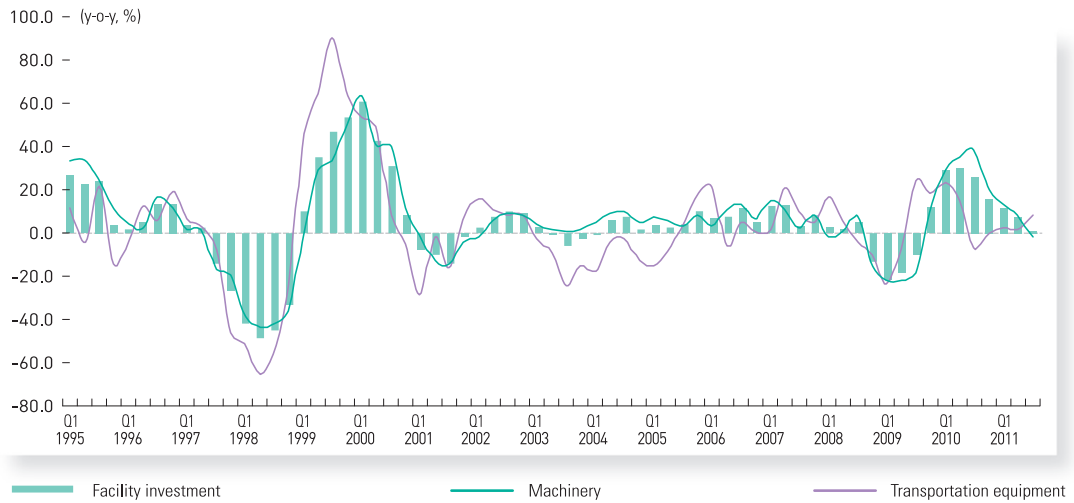
Sources: Statistics Korea, Korea International Trade Association (machinery imports data)

	2011				
	Aug	Sep	Oct	Nov	Dec
Business survey index (base=100) for manufacturing facility investment	100	99	96	98	95

Source: The Bank of Korea

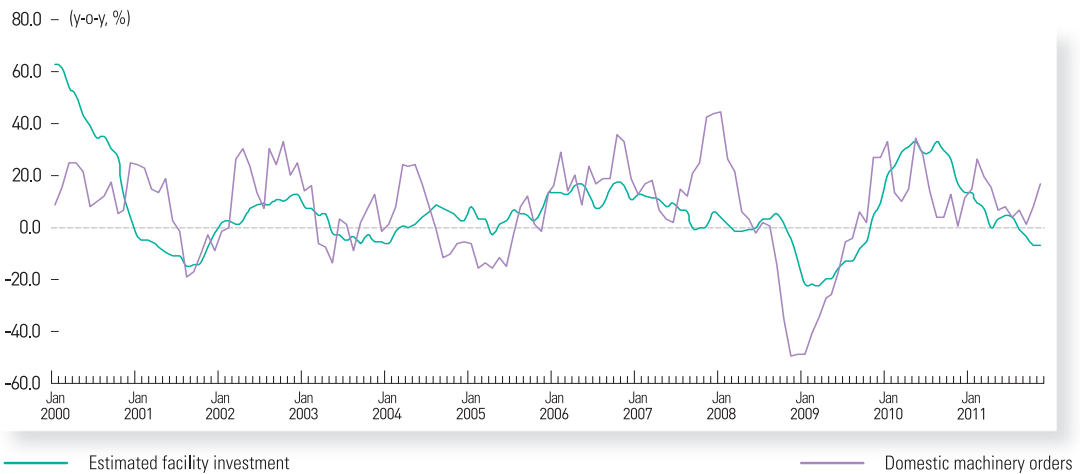
3-1 Facility investment by type

Source: The Bank of Korea (national accounts)



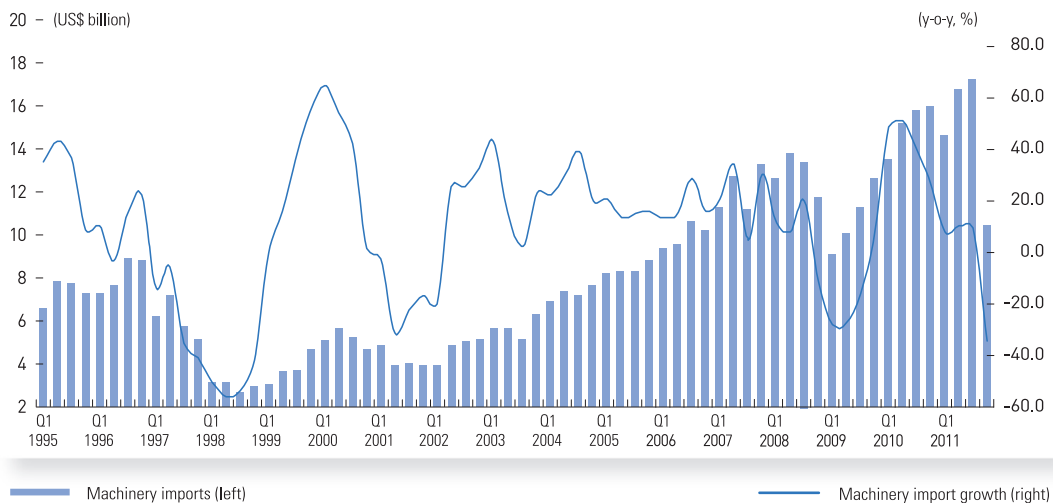
3-2 Machinery orders and estimated facility investment (3-month average)

Source: Statistics Korea (industrial activity trend)



3-3 Machinery imports

Source: Korea International Trade Association (KITA)



4. Construction investment

Construction investment (*preliminary GDP*) in the third quarter of 2011 rose 1.8 percent quarter on quarter, but dropped 4.6 percent year on year.

(Percentage change from previous quarter)

	2009		2010 ¹				2011 ¹		
	Annual	Annual	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Construction investment ²	3.4	-1.4	2.0	-4.2	-0.8	-1.0	-6.7	1.6	1.8
y-o-y	-	-	4.3	-2.3	-3.1	-2.9	-11.9	-6.8	-4.6
- Building construction	-2.3	-2.9	0.2	-4.5	-0.3	0.2	-6.9	3.3	1.1
- Civil engineering works	11.6	0.5	4.2	-3.8	-1.3	-2.5	-6.5	-0.5	2.7

1. Preliminary 2. National accounts Source: The Bank of Korea

The value of construction completion (*constant*) in November declined 9.2 percent month on month and 8.6 percent year on year, due to a fall in both building construction and civil engineering works.

(Percentage change from previous quarter)

	2009		2010		2011 ¹					
	Annual	Annual	Q3	Q4	Q1	Q2	Q3 ¹	Sep ¹	Oct ¹	Nov ¹
Value of construction completion(constant)	1.6	-3.3	-4.3	-1.6	-4.6	3.5	-5.8	4.8	2.8	-9.2
y-o-y	-	-	-6.8	-4.3	-12.6	-6.6	-8.4	-0.9	2.7	-8.6
- Building construction	-6.4	-7.1	-4.2	0.2	-6.4	1.5	-3.7	9.4	2.9	-8.9
- Civil engineering works	16.1	2.2	-4.5	-4.0	-2.2	6.1	-8.5	-0.9	2.7	-9.6

1. Preliminary Source: Statistics Korea

(Percentage change from same period in previous year)

	2009		2010		2011 ¹					
	Annual	Annual	Q3	Q4	Q1	Q2	Q3	Sep	Oct ¹	Nov ¹
Construction orders (current value)	5.0	-18.7	-3.6	-40.2	-12.8	-3.3	0.9	-5.0	56.3	15.0
q-o-q, m-o-m	-	-	-1.4	-22.9	12.8	9.8	8.2	-25.5	-4.1	-2.1
- Building construction	-14.2	-9.9	-1.3	-46.4	-9.7	-4.0	8.6	4.1	38.4	20.6
- Civil engineering works	44.3	-29.5	-7.0	-29.9	-17.0	-1.5	-11.0	-22.4	113.4	4.0
Building permit area	-12.9	19.3	-14.3	18.1	21.5	3.8	58.7	59.2	53.4	-18.8

1. Preliminary Sources: Statistics Korea, Ministry of Land, Transport and Maritime Affairs

Construction investment is likely to be limited by a slowdown in housing market recovery due to domestic and external uncertainties, decelerating demand for non-residential building construction, and contracting business sentiment of construction companies.

	2011				
	Aug	Sep	Oct	Nov	Dec
Business survey index (base=100) for business performance by construction companies	68.9	73.8	65.4	66.0	71.6

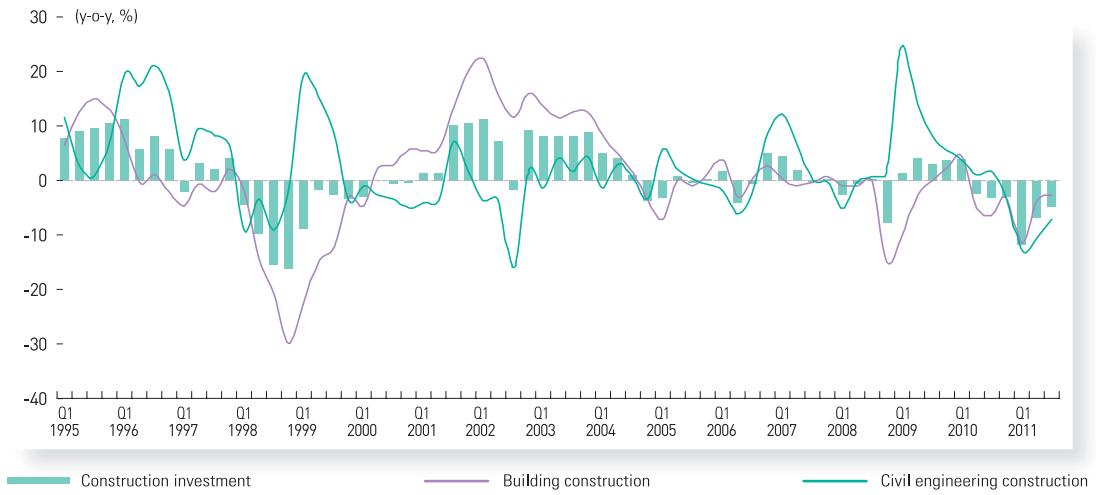
Source: Construction and Economy Research Institute of Korea

Yet, a sign of improvement can be found in positive leading indicators including rises in building permits, construction starts and construction orders, as well as an increase in social overhead capital budget spending. As of November 30, building permits for new houses increased 75.3 percent year on year.

	2011		
	Jan-Sep (average)	Oct	Nov
Housing starts	27,000	58,000	51,000

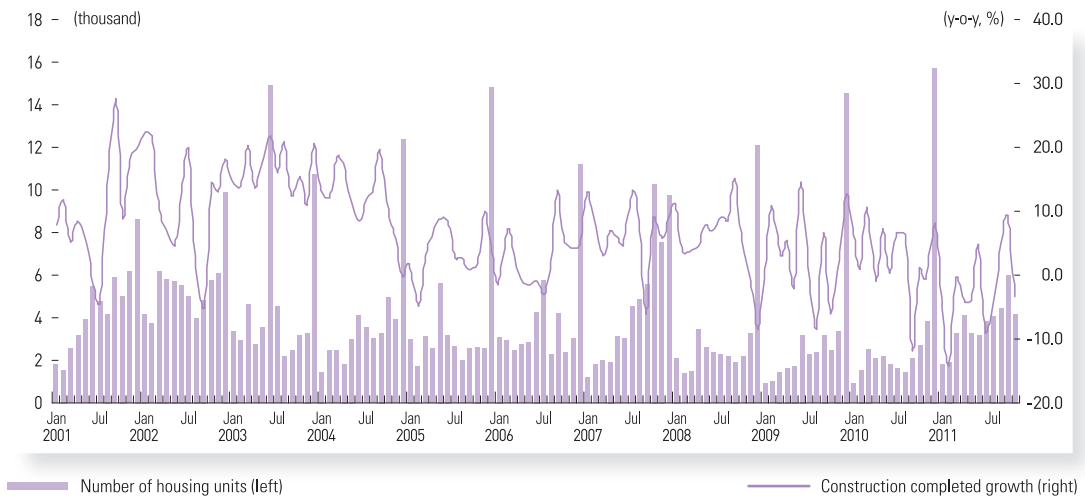
4-1 Construction investment

Source: The Bank of Korea (national accounts)



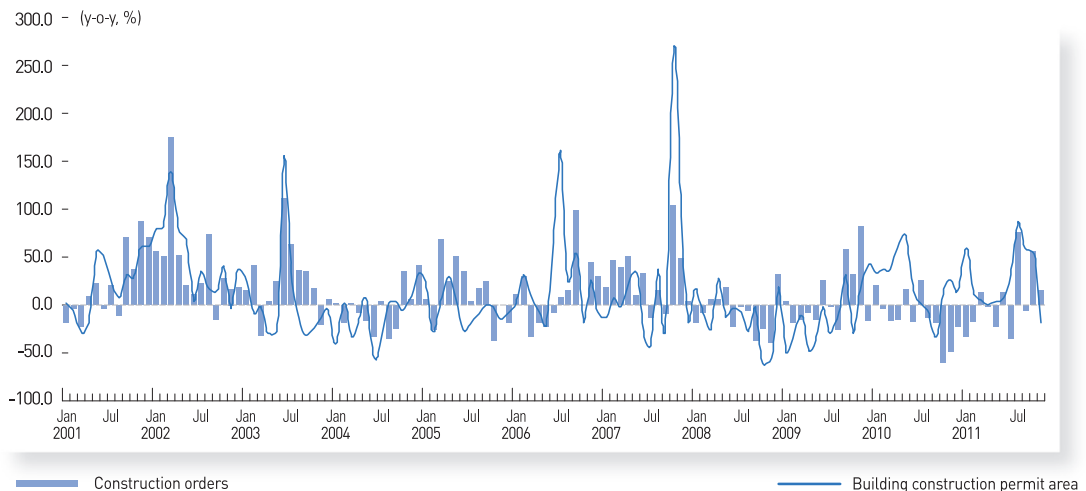
4-2 Construction completed and housing construction

Source: Statistics Korea (construction completed)
Kookmin Bank (housing construction)



4-3 Leading indicators of construction investment

Source: Statistics Korea (construction orders)
Ministry of Land, Transport and Maritime Affairs (building construction permit area)



5. Exports and imports

Exports in December increased 12.5 percent (*preliminary*) year on year to US\$49.66 billion.

Despite growing external uncertainties, exports continued a double-digit growth year-on-year in December, hitting a record high.

By regional category, exports to Japan (*up 43.2%*), the ASEAN countries (*up 32.3%*), China (*up 6.0%*) and US (*up 5.8%*) increased year on year, but those to the EU (*down 19.5%*) decreased.

By business category, exports of steel (*up 50.5%*), petroleum products (*up 47.2%*) and automobiles (*up 31.4%*) continued to surge, while those of semiconductors (*up 1.0%*) turned positive for the first time in nine months.

(US\$ billion)

	2009		2010		2011							
	Annual	Annual	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Oct	Nov	Dec
Exports	363.53	466.38	116.32	128.75	557.78	130.99	142.70	141.24	142.85	46.70	46.49	49.66
(y-o-y, %)	-13.9	28.3	22.7	23.8	19.6	29.6	18.7	21.4	11.0	7.8	12.7	12.5
Average daily exports	1.30	1.70	1.72	1.79	2.03	1.99	2.08	2.05	2.01	2.08	1.94	2.03
Imports	323.08	425.21	105.70	115.73	524.46	123.79	134.37	134.94	131.36	42.73	42.96	45.67
(y-o-y, %)	-25.8	31.6	24.6	24.6	23.3	26.1	27.2	27.7	13.5	15.5	11.1	14.0
Average daily imports	1.16	1.46	1.57	1.61	1.91	1.87	1.96	1.95	1.85	1.90	1.79	1.87

1. Preliminary

Source: Korea Customs Service

Imports in December increased 14.0 percent (*preliminary*) year on year to US\$45.67 billion.

Imports posted a record high in line with surging commodity imports, as the imports of crude oil jumped from US\$7.90 billion in the previous month to US\$9.08 billion.

(US\$ billion)

	2011 imports (y-o-y, %)	
	Nov	Dec
Commodities	14.7	22.7
Capital goods	3.3	-1.3
Consumer goods	14.8	11.5

The current account surplus (*preliminary*) in December was US\$3.99 billion, maintaining a large surplus.

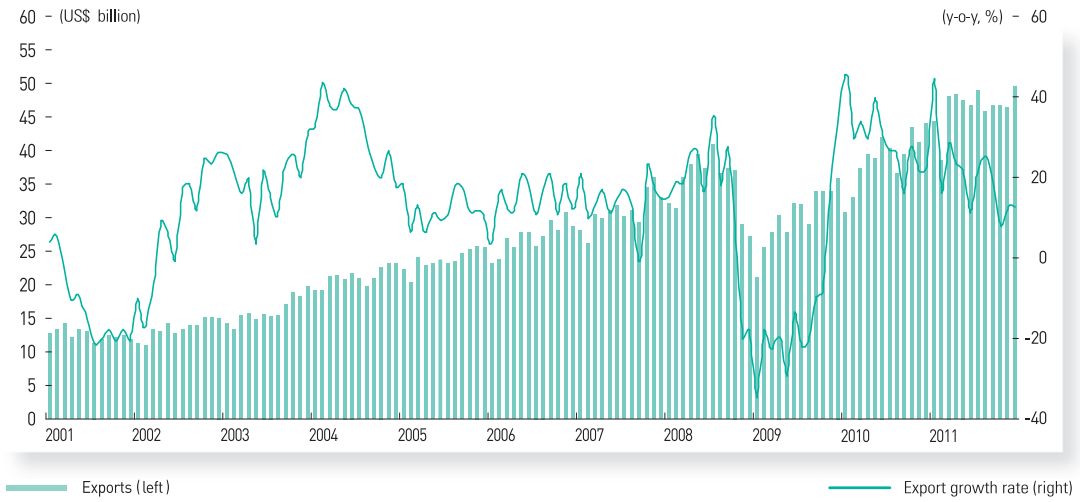
(US\$ billion)

	2009		2010		2011							
	Annual	Annual	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Oct	Nov	Dec
Trade balance	40.45	41.17	10.62	13.02	33.31	7.17	8.35	6.30	11.50	3.97	3.54	3.99

Source: Korea Customs Service

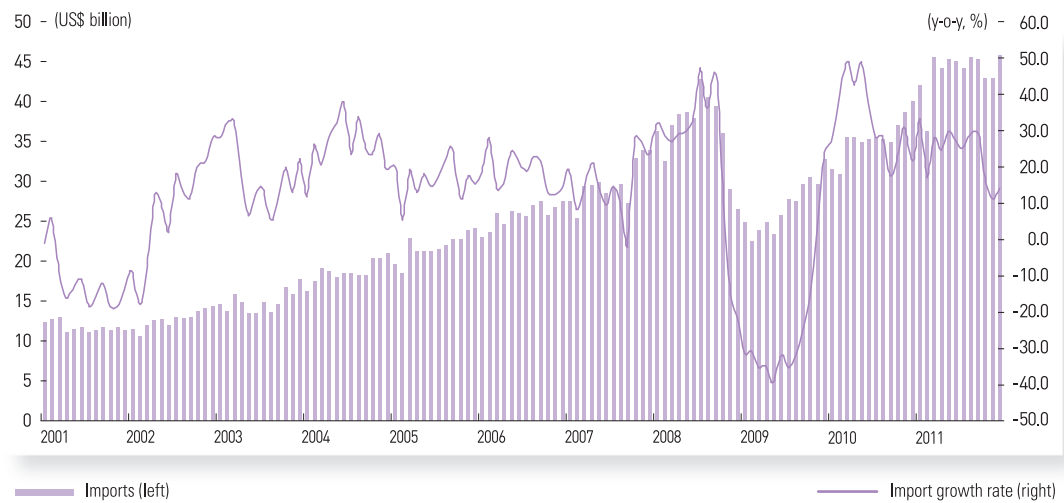
5-1 Exports (customs clearance basis)

Source: Korea Customs Service & Ministry of Knowledge Economy (export and import trend)



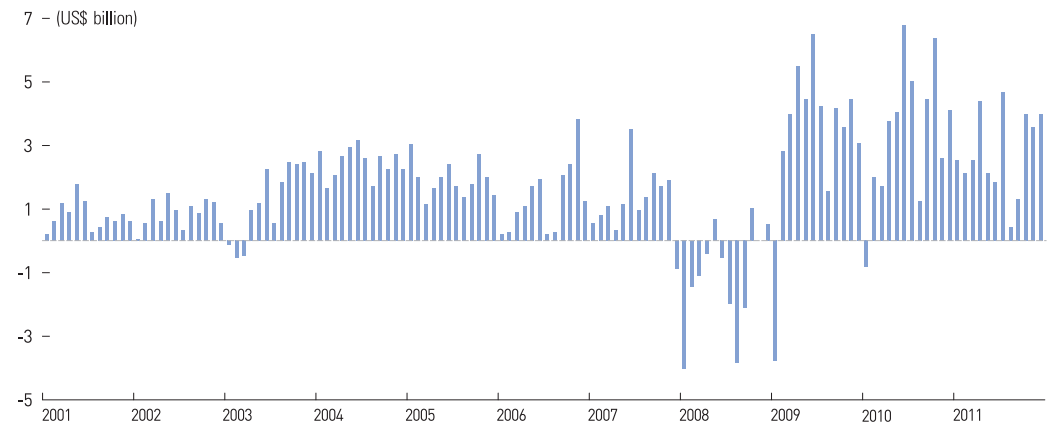
5-2 Imports (customs clearance basis)

Source: Korea Customs Service & Ministry of Knowledge Economy (export and import trend)



5-3 Trade balance

Source: Korea Customs Service & Ministry of Knowledge Economy (export and import trend)



6. Mining and manufacturing production

Mining and manufacturing production in November fell 0.4 percent month-on-month due to weak semiconductors and parts and audio-visual communications equipment, while rising 5.6 percent year-on-year.

By business category, processed metals (*up 5.0%*) and electric equipment (*up 5.1%*) increased month-on-month, while semiconductors and parts (*down 1.8%*) and audio-visual communications equipment (*down 3.9%*) went down.

The manufacturing inventory-shipment ratio increased month-on-month by 5.1 percentage points, as the inventory added 3.7 percent and the shipments shed 1.1 percent.

By business category, the shipments of processed metals (*up 4.5%*) and automobiles (*up 1.7%*) increased month-on-month, while those of semiconductors and parts (*down 4.8%*) and audio-visual communications equipment (*down 6.0%*) declined. The inventories of semiconductors and parts (*up 6.4%*) and machinery equipment (*up 8.6%*) climbed month-on-month, while those of computers (*down 8.9%*) and non-metallic mineral products (*down 3.3%*) fell.

The average operation ratio of the manufacturing sector fell 0.7 percentage points to 79.0 percent.

(Percentage change from same period in previous year)

		2010			2011				
		Annual	Q3	Nov	Q2	Q3	Sep	Oct ¹	Nov ¹
Mining and manufacturing activity ²	Production (q-o-q, m-o-m)	-	1.1	1.7	0.0	-0.1	1.2	-0.6	-0.4
	(y-o-y)	16.2	10.9	11.2	7.2	5.1	6.9	6.3	5.6
	- Manufacturing	16.7	11.2	11.4	7.4	5.1	7.0	6.5	5.9
	· ICT ³	25.2	19.1	13.3	10.5	5.4	10.1	17.1	13.4
	· Automobiles	23.1	11.3	6.9	12.1	16.2	15.5	12.0	14.4
	Shipment	14.4	9.9	11.7	7.2	5.0	7.5	4.3	3.0
	- Domestic demand	11.5	6.6	9.7	3.8	2.6	4.2	0.5	-0.9
	- Exports	18.2	14.5	14.5	11.6	7.9	11.8	9.2	8.0
	Inventory ⁴	17.4	19.1	16.9	10.0	10.7	10.7	14.6	18.4
Manufacturing activity	Average operation ratio (%)	81.2	81.2	80.5	81.4	81.3	81.3	79.7	79.0
	Production capacity	7.2	7.8	7.5	5.8	3.9	3.8	4.0	4.0

1. Preliminary

2. Including mining, manufacturing, electricity, and gas industry

3. Information and Communications Technology

4. End-period

Source: Statistics Korea

Mining and manufacturing production is expected to continue a moderate recovery in line with major items such as semiconductors and parts and automobiles gradually recovering. However, there is still the possibility that the index will be affected by external uncertainties.

Semiconductor exports (US\$ billion)

3.97 (Jul 2011) ➔ 4.11 (Aug) ➔ 4.59 (Sep) ➔ 4.35 (Oct) ➔ 4.10 (Nov) ➔ 4.27 (Dec)

Automobile exports (thousand)

267 (Jul 2011) ➔ 216 (Aug) ➔ 250 (Sep) ➔ 276 (Oct) ➔ 301 (Nov) ➔ 302 (Dec)

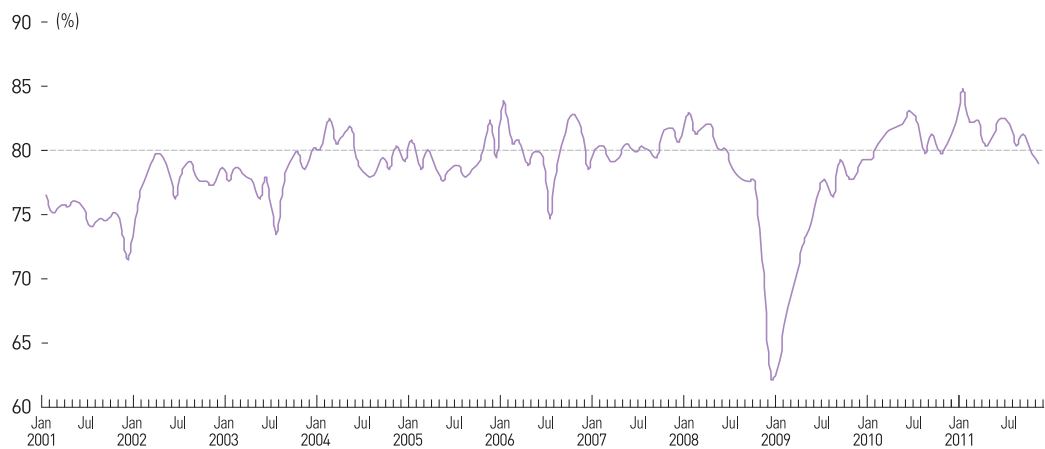
6-1 Industrial production

Source: Statistics Korea (industrial activity trend)



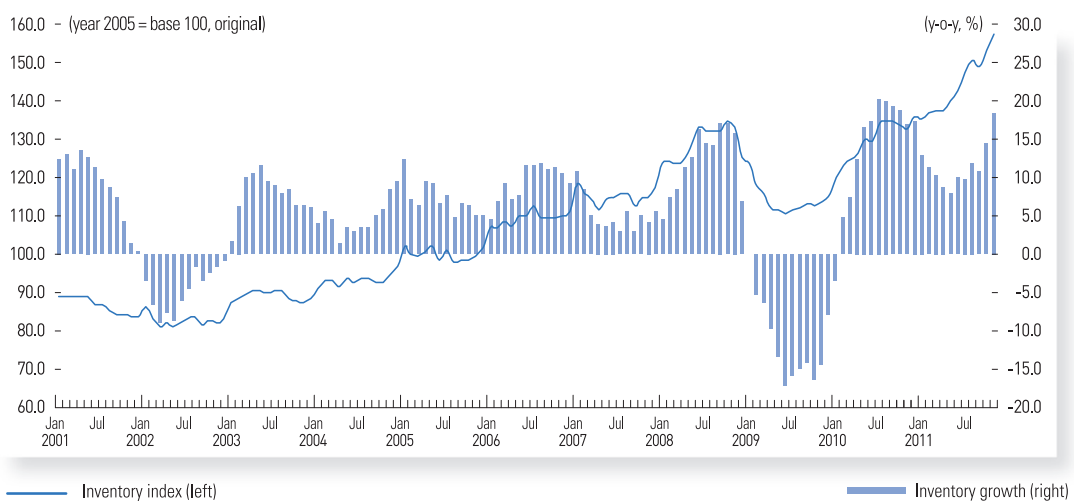
6-2 Average manufacturing operation ratio

Source: Statistics Korea (industrial activity trend)



6-3 Inventory

Source: Statistics Korea (industrial activity trend)



7. Service sector activity

Service activity in November contracted 0.5 percent from the previous month due to sluggish wholesale & retail sales, information & audio-visual services and financial & insurance services. On a year-on-year basis, service activity expanded 2.6 percent.

Wholesale & retail sales dropped 0.8 percent from the previous month as sales of clothes and heating fuel decreased due to unusually high temperatures.

* National average temperature in November 2011 was 11.0 degrees Celsius, which was 3.4 degrees Celsius higher than the 30-year average temperature and marked the highest temperature in 73 years.

Financial & insurance services fell 0.9 percent month-on-month due to financial market instability affected by worries over a possible downgrade of France's credit rating.

KOSPI (points)

1,909 (end-October 2011) ↻ 1,813 (November 10) ↻ 1,820 (November 21) ↻ 1,848 (November 30)

Real estate & renting declined 1.1 percent month-on-month and 5.6 percent year-on-year, falling for 18 consecutive months.

(Percentage change from previous period)

	Weight	2009	2010		2011 ¹						
		Annual	Annual	Q3	Q4	Q1	Q2	Q3	Sep	Oct ¹	Nov ¹
Service activity index	100.0	1.8	3.9	0.1	1.0	1.0	1.0	1.1	-1.6	0.6	-0.5
- Wholesale & retail sales	21.8	-0.4	5.7	2.2	-0.4	1.4	1.3	1.0	-3.5	2.0	-0.8
- Transportation services	9.0	-6.6	12.0	0.7	1.9	1.8	-1.1	1.8	-1.4	-0.4	-1.0
- Hotels & restaurants	7.7	-1.4	1.2	0.1	-0.4	-0.5	2.5	-0.3	-0.4	0.4	0.0
- Information & communications services	8.4	0.9	1.9	1.2	0.9	0.3	0.9	3.4	-1.9	1.6	-2.2
- Financial & insurance services	15.3	7.8	4.6	0.2	3.3	2.4	2.1	0.9	-2.8	2.1	-0.9
- Real estate & renting	6.3	5.3	-8.6	-10.4	-3.4	7.2	-5.0	-1.8	-1.8	-4.3	-1.1
- Professional, scientific & technical services	4.8	1.2	-0.5	-5.0	2.6	-4.1	5.2	0.7	1.6	-1.3	0.8
- Business services	2.9	-3.0	7.5	2.7	0.9	-0.5	2.2	0.3	-0.7	0.8	0.7
- Educational services	10.8	2.1	2.0	0.3	2.9	-1.8	-1.1	2.1	-1.8	0.8	1.4
- Healthcare & social welfare services	6.0	10.4	8.8	1.9	-0.5	2.1	1.4	2.0	0.5	-0.7	0.5
- Entertainment, cultural & sports services	2.9	-0.5	-0.4	0.6	0.4	-1.6	2.3	1.1	3.4	-2.3	0.9
- Membership organizations	3.8	-2.1	4.3	1.0	0.1	-0.6	1.7	0.2	2.5	-2.8	-1.6
- Sewerage & waste management	0.4	3.7	5.1	-4.6	1.9	-0.8	0.0	-0.9	-5.1	6.8	-3.1

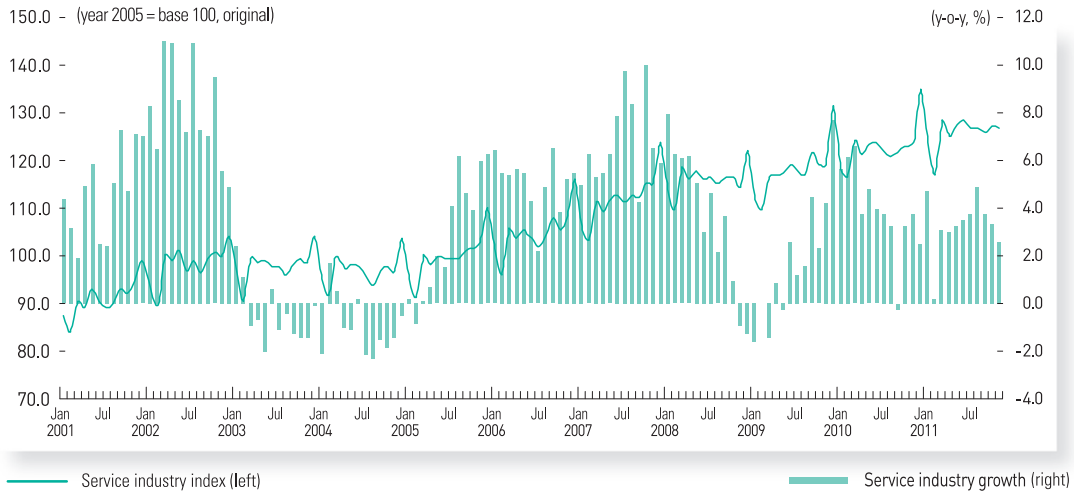
1. Preliminary

Source: Statistics Korea

Service activity in December is expected to improve, helped by robust wholesale & retail sales.

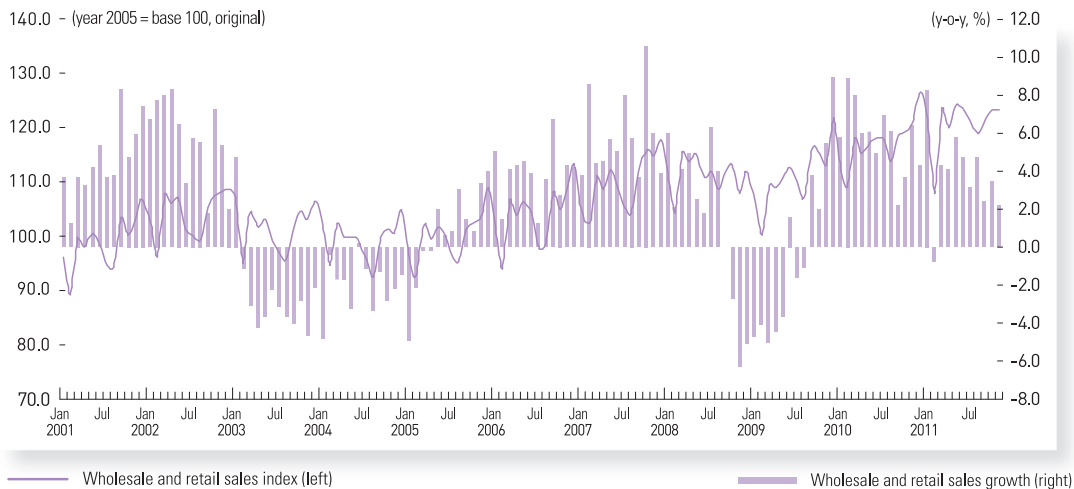
7-1 Service industry

Source: Statistics Korea (service industry activity trend)



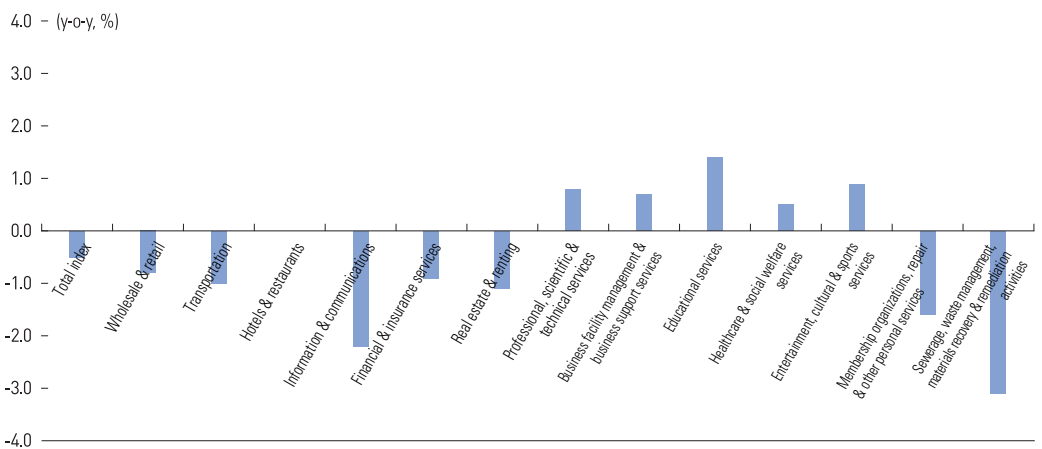
7-2 Wholesale and retail sales

Source: Statistics Korea (service industry activity trend)



7-3 November 2011 service industry by business

Source: Statistics Korea (service industry activity trend)



8. Employment

The number of workers on payroll in November increased by 479,000 from a year earlier to 24,590,000 and the employment rate (*seasonally adjusted*) rose by 0.5 percentage points year-on-year to 59.7 percent.

By industry, services (*up 525,000*) led the upward pace. In addition, employment in construction (*up 66,000*) contributed to employment gains.

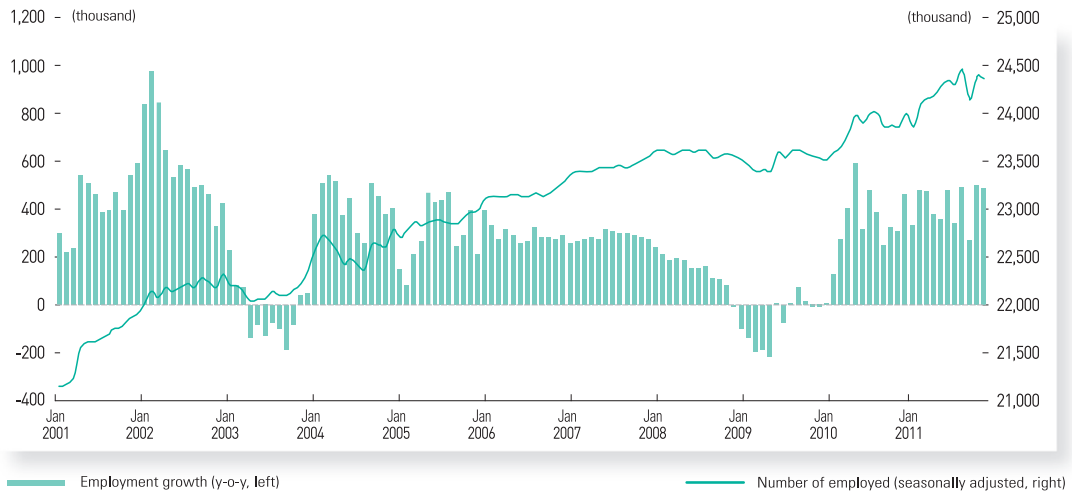
By status of workers, the number of regular workers (*up 505,000*) continued to increase while temporary workers (*down 22,000*) and daily workers (*down 133,000*) decreased.

	2009		2010						2011				
	Annual	Q4	Annual	Q1	Q2	Q3	Q4	Nov	Q1	Q2	Q3	Oct	Nov
Number of employed (million)	23.51	23.63	23.83	23.04	24.17	24.12	23.99	24.11	23.46	24.57	24.48	24.67	24.59
Employment rate (%)	58.6	58.7	58.7	57.0	59.6	59.3	58.9	59.2	57.4	59.9	59.5	59.9	59.7
(seasonally adjusted)	58.6	58.5	58.7	58.3	58.9	58.9	58.6	59.2	58.8	59.2	59.1	59.2	59.1
Employment growth (y-o-y, thousand)	-72	-6	323	132	433	369	358	303	423	402	363	501	479
(Excluding agriculture, forestry & fishery)	-34	110	405	296	518	414	393	353	451	39	414	534	491
- Manufacturing	-126	-49	191	61	172	262	269	284	228	112	-12	-55	-85
- Construction	-91	-107	33	-61	44	92	57	50	-3	-41	-35	41	66
- Services	179	261	200	313	325	83	80	33	224	331	472	555	525
- Agriculture, forestry & fishery	-38	-116	-82	-164	-85	-45	-35	-50	-28	3	-51	-33	-12
- Wage workers	247	385	517	371	623	541	532	511	519	421	392	430	349
· Regular workers	383	515	697	651	766	671	699	731	605	621	572	517	505
· Temporary workers	22	105	-34	-37	42	-26	-114	-187	-88	-137	-76	5	-22
· Daily workers	-158	-235	-146	-243	-185	-104	-53	-33	2	-63	-104	-91	-133
- Non-wage workers	-319	-391	-194	-239	-189	-172	-174	-207	-96	-19	-29	71	130
· Self-employed workers	-259	-279	-118	-106	-91	-130	-146	-166	-115	-39	34	107	135
- Male	31	89	181	117	188	207	212	181	266	221	208	248	268
- Female	-103	-94	142	15	245	163	146	122	157	181	155	253	211
- 15 to 29	-127	-77	-43	-12	-58	-44	-57	-53	-49	-74	-1	20	-36
- 30 to 39	-173	-149	-4	-42	-13	21	17	17	-34	-13	-83	-66	-57
- 40 to 49	-24	-46	29	-21	48	40	50	48	77	59	46	55	42
- 50 to 59	198	230	294	251	342	295	287	274	286	294	270	380	312
- 60 or more	54	37	47	-44	114	57	60	18	143	137	131	192	218

Source: Statistics Korea

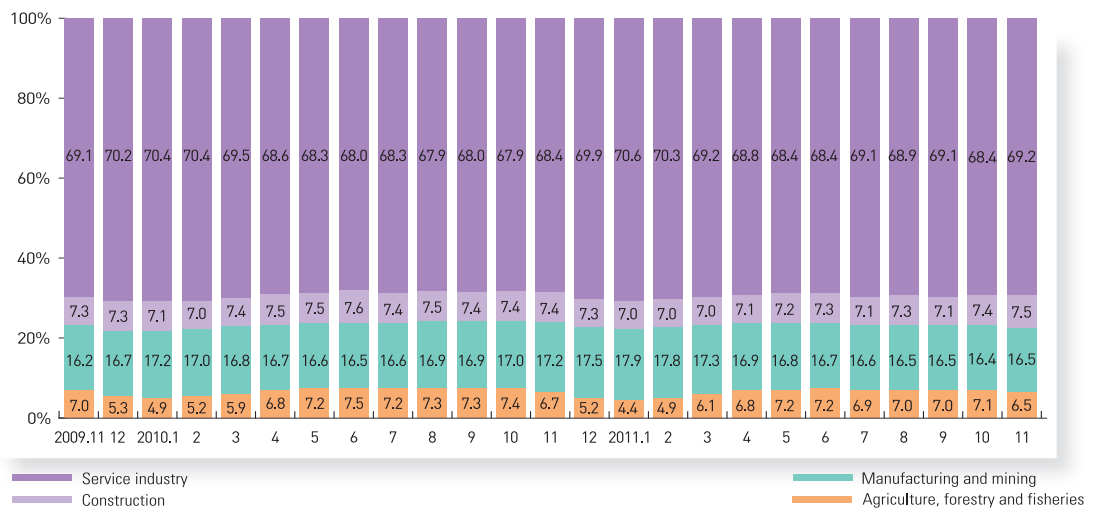
8-1 Number of employed and employment growth

Source: Statistics Korea (employment trend)



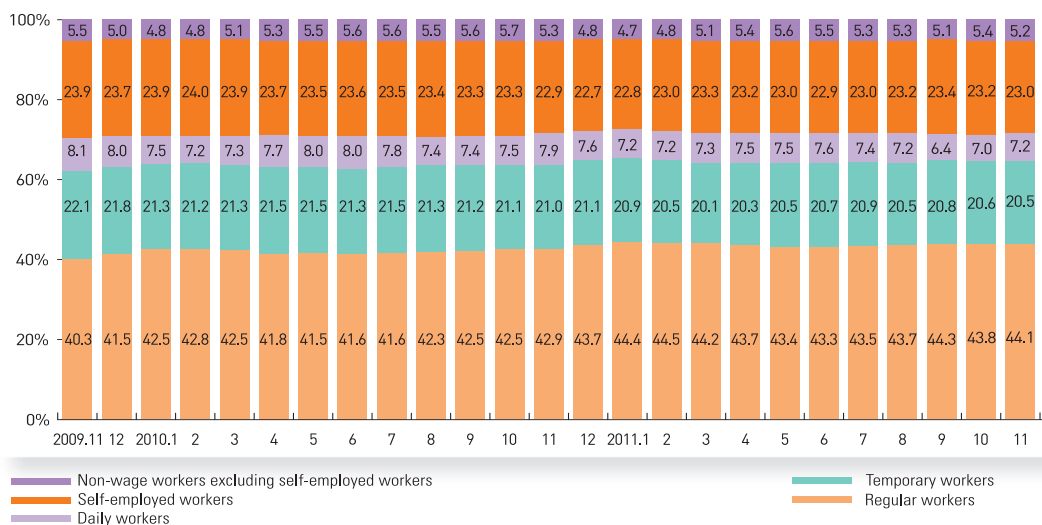
8-2 Share of employed by industry

Source: Statistics Korea (employment trend)



8-3 Share of employed by status of workers

Source: Statistics Korea (employment trend)



The number of unemployed persons in November decreased by 8,000 year-on-year to 730,000 and the year-on-year unemployment rate (*seasonally adjusted*) dropped 0.1 percentage point to 2.9 percent.

	2009		2010					2011					
	Annual	Q4	Annual	Q1	Q2	Q3	Q4	Nov	Q1	Q2	Q3	Oct	Nov
Number of unemployed (thousand)	889	817	920	1,130	868	873	808	737	1,028	865	786	736	730
Unemployment growth (y-o-y, thousand)	119	60	31	222	-75	-13	-10	-82	-101	-3	-88	-96	-8
- Male	80	25	-7	83	-47	-48	-16	-51	-70	-32	-48	-46	-18
- Female	40	36	38	139	-29	35	6	-30	-32	29	-40	-50	10
Unemployment rate (%)	3.6	3.3	3.7	4.7	3.5	3.5	3.3	3.0	4.2	3.4	3.1	2.9	2.9
(Seasonally adjusted)	3.6	3.5	3.7	4.3	3.5	3.6	3.4	3.1	3.9	3.4	3.2	3.1	3.1
- 15 to 29	8.1	7.6	8.0	9.5	7.7	7.6	7.1	6.4	8.8	7.9	6.7	6.7	6.8
- 30 to 39	3.6	3.3	3.5	3.9	3.6	3.5	3.2	3.0	4.0	3.5	3.2	2.9	2.9
- 40 to 49	2.4	2.3	2.5	2.9	2.3	2.5	2.2	2.1	2.5	2.1	2.0	2.0	1.9
- 50 to 59	2.5	2.2	2.5	3.2	2.1	2.3	2.3	2.0	2.7	2.0	2.1	1.8	1.7
- 60 or more	1.6	1.5	2.8	5.8	2.1	2.0	1.9	1.7	4.5	2.3	2.1	1.7	1.8

Source: Statistics Korea

The economically inactive population in November was down 19,000 from a year earlier to 15,890,000. Meanwhile, the labor force participation rate (*seasonally adjusted*) rose 0.4 percentage points year-on-year to 61.4 percent.

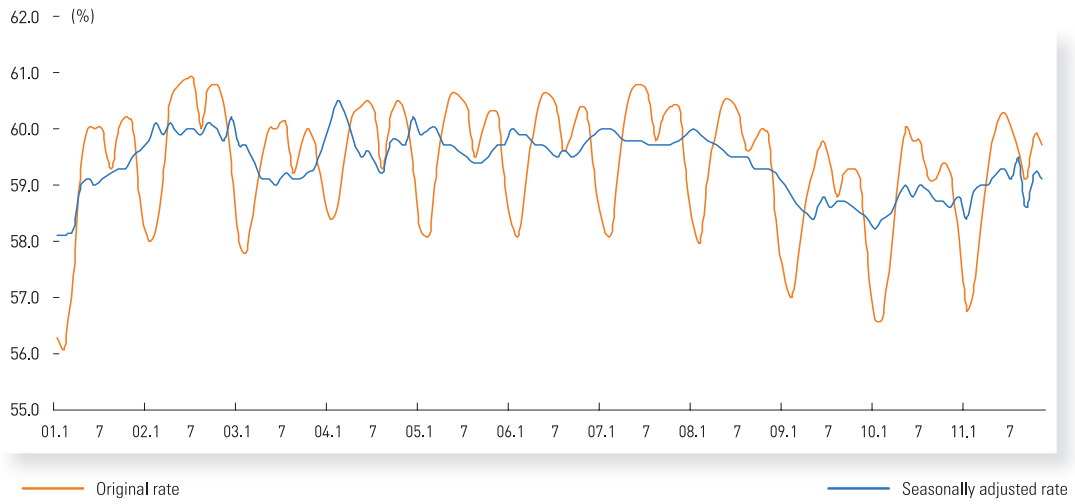
The number of workers quitting jobs due to rest, time-off and leisure (*up 87,000*), housework (*up 79,000*), childcare (*up 29,000*) and old age (*up 1,000*) increased while those who quit jobs due to education (*down 90,000*) decreased.

	2009		2010					2011					
	Annual	Q4	Annual	Q1	Q2	Q3	Q4	Nov	Q1	Q2	Q3	Oct	Nov
Economically inactive population (million)	15.70	15.83	15.84	16.25	15.49	15.66	15.96	15.91	16.39	15.56	15.85	15.76	15.89
Labor force participation rate (%)	60.6	60.7	61.0	59.8	61.8	61.5	60.8	61.0	59.9	62.0	61.5	61.7	61.4
(seasonally adjusted)	60.6	60.6	61.0	61.0	61.0	61.1	60.8	60.5	61.1	61.3	61.0	61.1	61.0
Growth in economically inactive population (y-o-y, thousand)	447	456	143	166	146	128	133	257	138	66	191	49	-19
- Childcare	40	15	-125	-118	-126	-149	-107	-103	-44	-16	17	21	29
- Housework	148	235	201	237	175	203	189	215	130	27	143	141	79
- Education	31	-36	12	-74	23	46	55	90	-16	-39	-78	-97	-90
- Old age	88	92	80	193	59	43	25	9	-103	-58	-22	-6	1
- Rest, time-off and leisure	123	123	-56	-187	-27	15	-27	4	241	163	193	124	87

Source: Statistics Korea

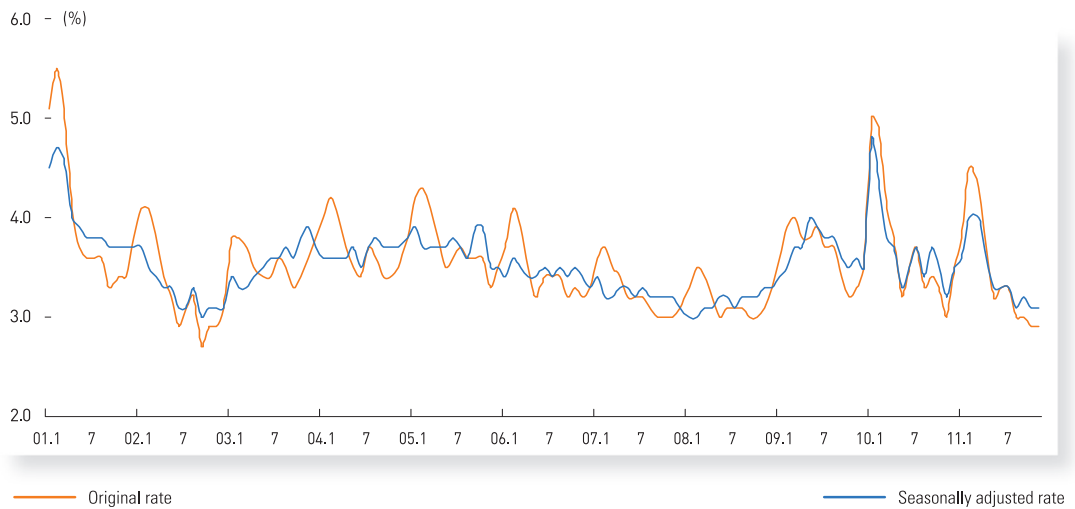
8-4 Employment rate

Source: Statistics Korea (employment trend)



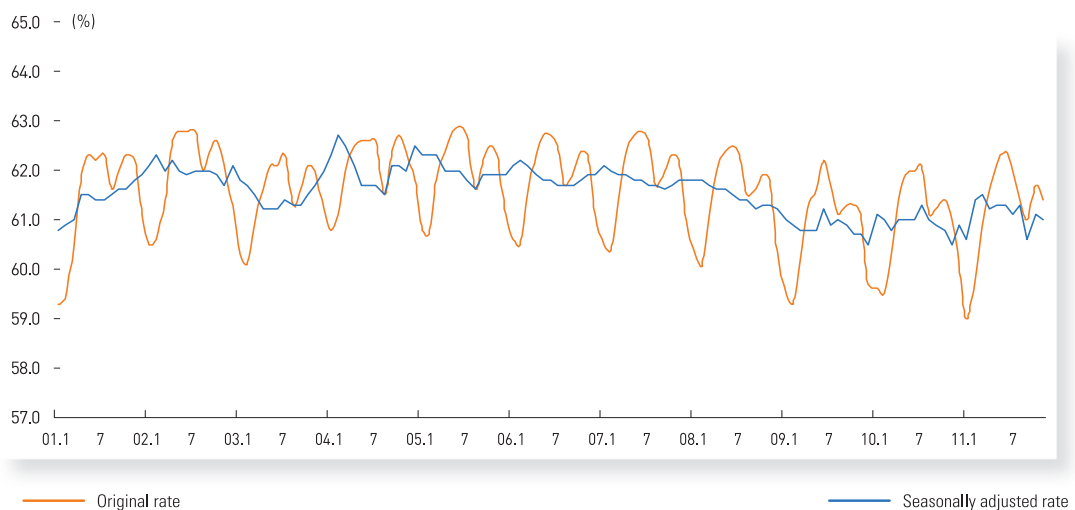
8-5 Unemployment rate

Source: Statistics Korea (employment trend)



8-6 Economically active population

Source: Statistics Korea (employment trend)



9. Financial market

9.1 Stock market

The Korean stock price index in December dropped 1.2 percent month-on-month to 1,826 points from the previous month's 1,848 points. The stock market, which soared at the beginning of the month helped by the coordinated central bank action on currency swaps announced by the Fed and five other central banks on November 30, fell to 1,777 points on December 19 as investor sentiment weakened due to worries over the eurozone debt crisis and the news of North Korean leader Kim Jong-il's death.

The index decelerated the decline thereafter, boosted by the European Central Bank's long-term liquidity injection announcement on December 20 and improved US economic indicators.

Foreign investors continued the net-selling position but the sales volume was reduced from the previous month's 3.1 trillion won to 0.6 trillion won.

(End-period, point, trillion won)

	KOSPI			KOSDAQ		
	Nov 2011	Dec 2011	Change ¹	Nov 2011	Dec 2011	Change ¹
Stock price index	1,847.5	1,825.7	-21.8 (-1.2%)	492.8	500.2	+7.4 (+1.5%)
Market capitalization	1,049.1	1,042.0	-7.1 (-0.7%)	103.4	106.0	+2.6 (+2.5%)
Average daily trade value	5.4	4.9	-0.5 (-8.7%)	2.81	3.16	+0.3 (+12.3%)
Foreign stock ownership	33.0	32.9	-0.1 (-0.3%)	8.5	7.9	-0.6 (-7.3%)

1. Change from the end of the previous month

9.2 Exchange rate

The won/dollar exchange rate in December increased 8.8 won to wrap up the month at 1,151.8 won from 1,143.0 won at the end of November.

The won/dollar exchange rate climbed due to the disappointing outcome of the EU Summit and geopolitical risks stemming from Kim Jong-il's death.

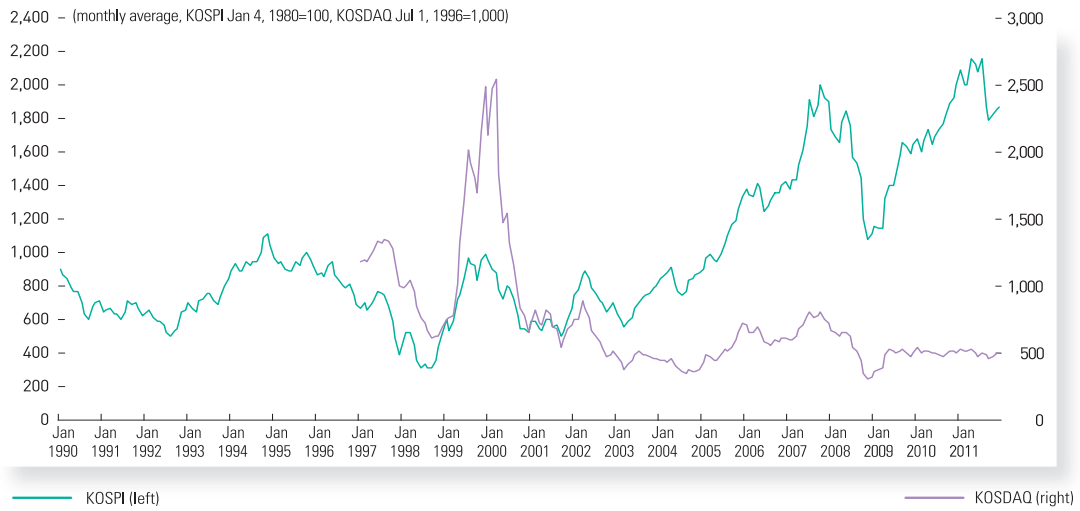
The won/100 yen exchange rate rose 13.4 won as the yen continued to rise due to eurozone concerns.

(End-period)

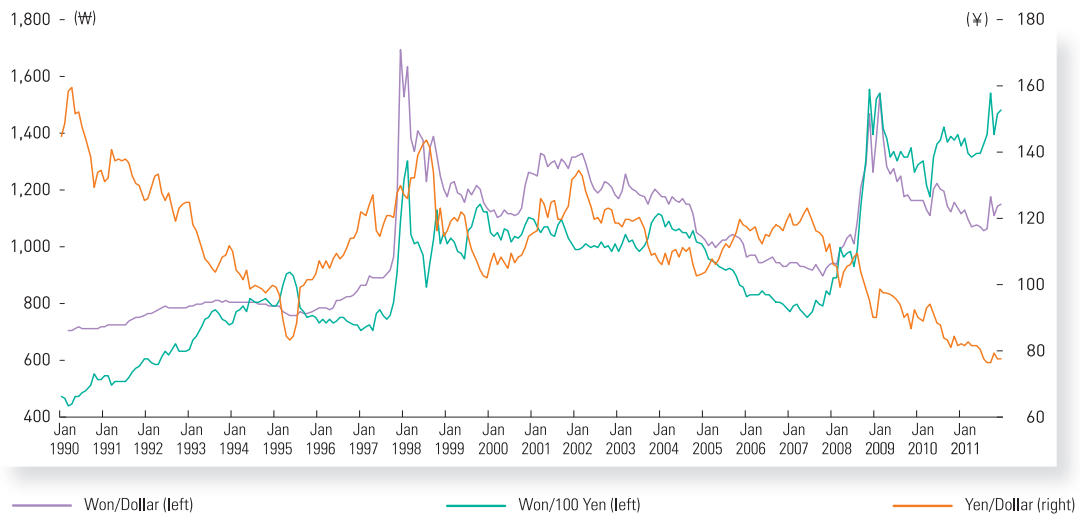
	2007	2008	2009	2010	2011		Change ¹
	Dec	Dec	Dec	Dec	Nov	Dec	
Won/Dollar	936.1	1,259.5	1,164.5	1,134.8	1,143.0	1,151.8	-0.5
Won/100 Yen	828.6	1,396.8	1,264.5	1,393.6	1,467.8	1,481.2	-5.9

1. Appreciation from the end of the previous year (%); the exchange rate is based on the closing price at 3:00 p.m., local time.

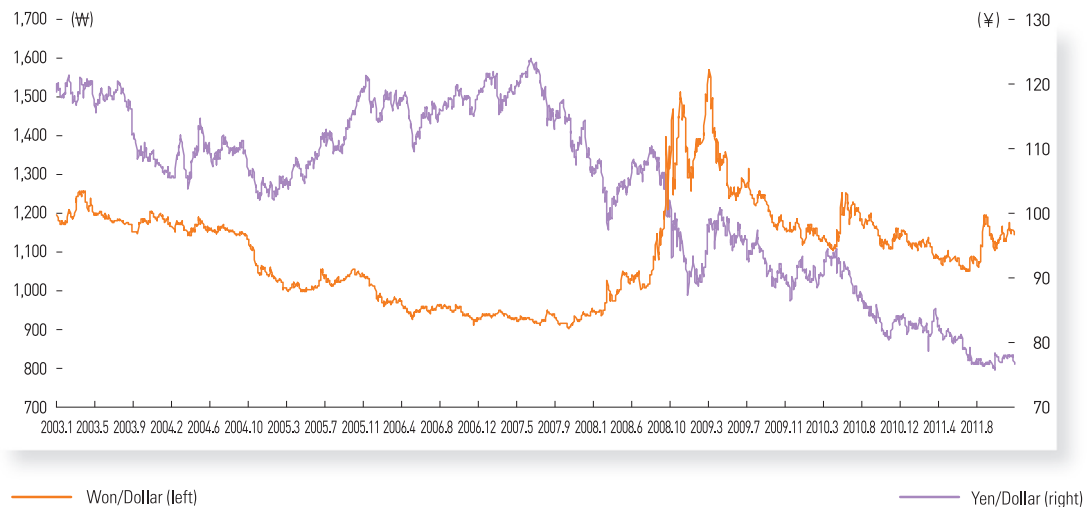
9-1 Stock prices



9-2 Foreign exchange rate (month-end)



9-3 Recent foreign exchange rate



9.3 Bond market

The 5-year Treasury bond yields dropped 3 basis points in December to 3.46 percent from the previous month's 3.49 percent. Despite geopolitical risks stemming from the death of Kim Jong-il and financial institutions' short-term bond sales due to year-end cash demands, the Treasury bond yields fell affected by eurozone fiscal problems, foreign investment inflows to Treasury bond futures, and a drop in US Treasury bond yields.

(End-period)

	2006	2007	2008	2009	2010	2011			Change ¹
	Dec	Dec	Dec	Dec	Dec	Oct	Nov	Dec	
Call rate (1 day)	4.60	5.02	3.02	2.01	2.51	3.26	3.27	3.29	+2
CD (91 days)	4.86	5.82	3.93	2.88	2.80	3.57	3.55	3.55	-
Treasury bonds (3 yrs)	4.92	5.74	3.41	4.44	3.38	3.51	3.38	3.34	-4
Corporate bonds (3 yrs)	5.29	6.77	7.72	5.56	4.27	4.35	4.22	4.21	-1
Treasury bonds (5 yrs)	5.00	5.78	3.77	4.98	4.08	3.63	3.49	3.46	-3

1. Basis point, changes in December 2011 from the previous month

9.4 Money supply & money market

The M2 (monthly average) in October expanded 4.4 percent from a year earlier excluding cash management accounts (CMAs), which were included in M2 since July 2009.

Despite increased redemption from the government sector, the month-on-month M2 growth accelerated from 4.2 percent to 4.4 percent, helped by expanded private sector credit and money supply from the overseas sector.

(Percentage change from same period in previous year, average)

	2008	2009	2010				2011					
	Annual	Annual	Annual	Q1	Q2	Q3	Q4	Jul	Aug	Sep	Oct	Oct ¹
M1 ²	-1.8	16.3	11.8	14.5	10.7	10.8	11.2	3.8	5.4	5.1	4.1	421.5
M2	14.3	10.3	8.7	9.4	9.5	8.6	7.4	3.2	4.0	4.2	4.4	1,742.6
Lf ³	11.9	7.9	8.2	8.5	9.1	8.2	7.1	4.6	5.6	5.7	6.1 ⁴	2,263.6 ⁴

1. Balance at end October 2011, trillion won

2. M1 excluding corporate MMFs and individual MMFs while including CMAs

3. Liquidity aggregates of financial institutions (mostly identical with M3)

4. Preliminary

In November, bank deposits decelerated the growth as inflows of regional government funds and household funds which outflowed from the Korean Federation of Community Credit Cooperatives contracted and interest rates on time deposits fell.

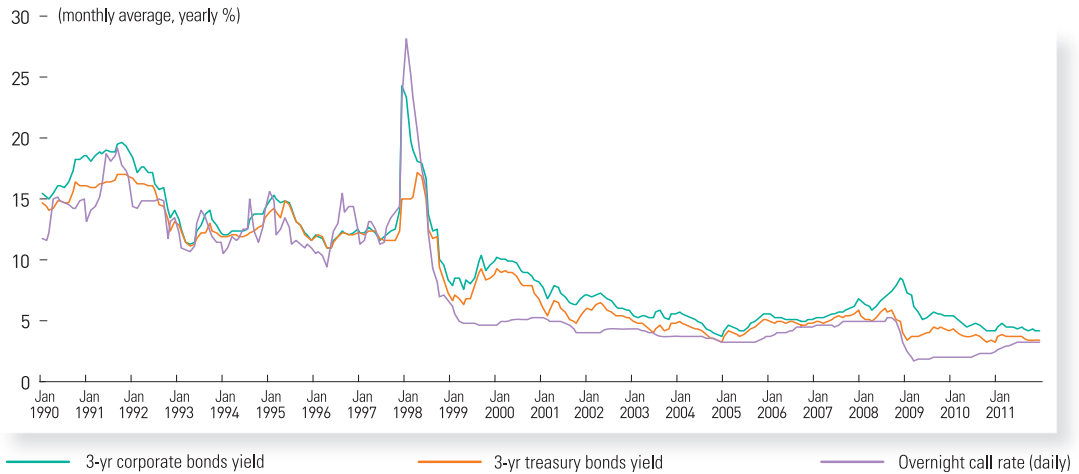
(Monthly change, end-period, trillion won)

	2009		2010		2011			
	Annual	Nov	Annual	Nov	Sep	Oct	Nov	Nov ¹
Bank deposits	54.8	1.5	36.9	-1.9	6.8	13.0	5.8	1,104.7
AMC deposits	-27.6	4.4	-16.7	0.0	3.0	9.3	-0.4	318.0

1. Balance at end November, trillion won

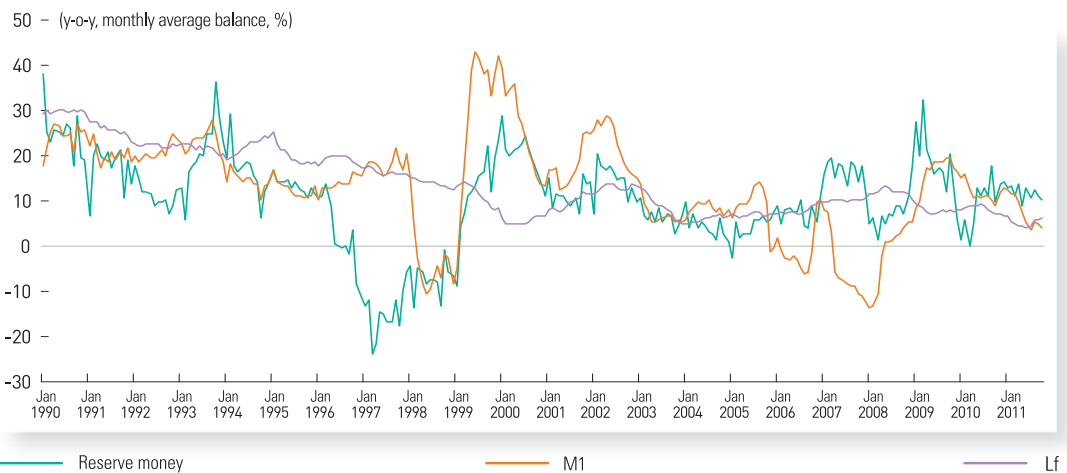
9-4 Interest rates

Source: The Bank of Korea



9-5 Total money supply

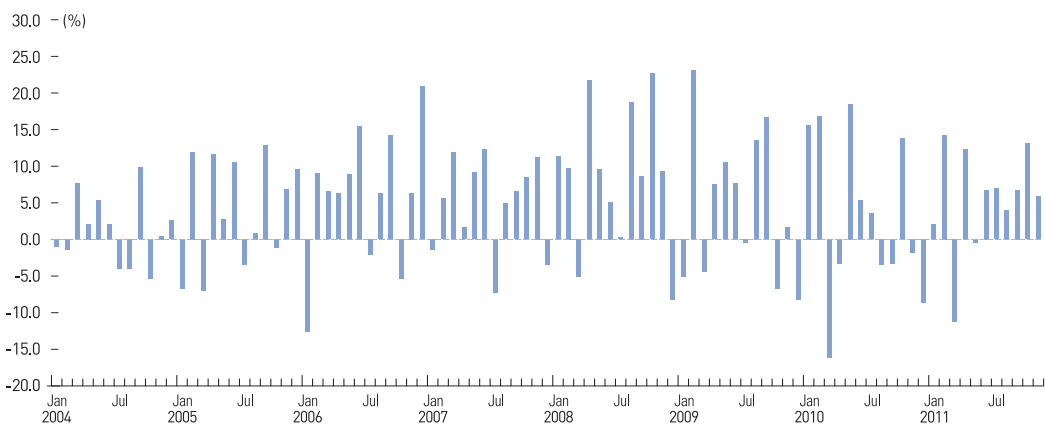
Source: The Bank of Korea



9-6 Share of deposits by financial sector (M3 as of year-end)

Source: The Bank of Korea

* Retail finance: Mutual savings banks & National Credit Union Federation of Korea, Others: Investment banks, post office savings, etc.



10. Balance of payments

Korea's current account surplus (*preliminary*) in November posted US\$5.05 billion, expanding the growth from the previous month's US\$4.13 billion. In addition, it was the largest gain since October 2010 when the surplus reached US\$5.49 billion. The accumulated current account surplus from January to November 2011 registered US\$24.18 billion.

Despite external uncertainties, the goods account surplus widened to US\$4.49 billion from the previous month's US\$3.55 billion, helped by robust exports of petroleum products, steel and automobiles.

The service account surplus accelerated to US\$360 million from the previous month's US\$3 million as the expanded surplus of construction service offset the travel & business service deficit.

The primary income account surplus narrowed to US\$450 million from the previous month's US\$640 million owing to decreasing interest payments. Meanwhile, the secondary income account deficit expanded to US\$240 million from US\$60 million a month earlier due to increased outward remittances.

(US\$ billion)

	2009	2010		2011							
	Annual	Annual	Q3	Q4	Q1	Q2	Q3	Sep	Oct	Nov	Jan-Nov
Current account	32.79	29.39	10.12	8.47	2.61	5.49	6.90	2.83	4.13	5.05	24.18
- Goods balance	37.87	40.08	11.57	11.91	5.84	7.66	7.20	2.10	3.55	4.49	28.74
- Service balance	-6.64	-8.63	-1.79	-2.57	-2.54	-0.80	-1.20	0.07	0.00	0.36	-4.17
- Income balance	2.28	1.01	1.29	0.03	0.39	-0.82	1.31	0.54	0.64	0.45	1.97
- Current transfers	-0.71	-3.08	-0.95	-0.91	-1.08	-0.55	-0.42	0.12	-0.06	-0.24	-2.35

1. Preliminary

Source: The Bank of Korea

The capital and financial account (*preliminary*) in November registered an outflow of US\$6.54 billion. The accumulated capital and financial account from January to November 2011 posted a deficit of US\$28.81 billion.

Capital & financial account balance (US\$ billion)

-2.75 (Q1 2011) ➔ -6.81 (Q2) ➔ -8.32 (Q3) ➔ -4.39 (Oct) ➔ -6.54 (Nov¹)

1. Preliminary

The direct investment account accelerated the outflow to US\$2.08 billion from the previous month's outflow of US\$1.13 billion as foreign direct investment decreased while overseas direct investment by locals increased.

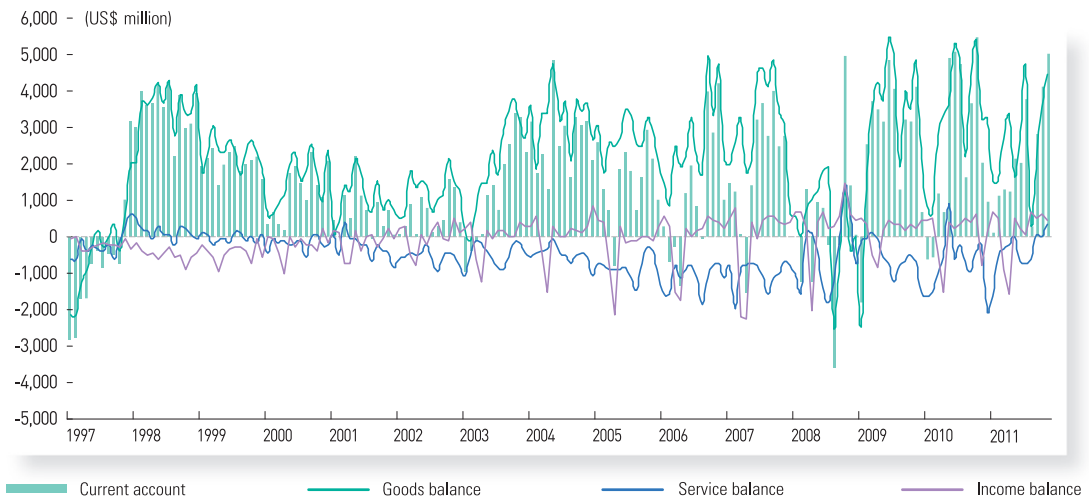
The portfolio investment account narrowed to a net inflow of US\$40 million from the previous month's US\$3.92 billion as foreign investor funds for equity securities investment shifted to a net outflow despite a continuing net inflow of debt securities investment funds.

The financial derivatives account turned to a net outflow of US\$380 million from the previous month's net inflow of US\$110 million. Meanwhile, the other investment account shifted to an outflow of US\$350 million from the previous month's inflow of US\$2.79 billion due to local banks' repayment of short-term borrowings.

The current account in December is expected to maintain a surplus, helped by a continuing goods account surplus.

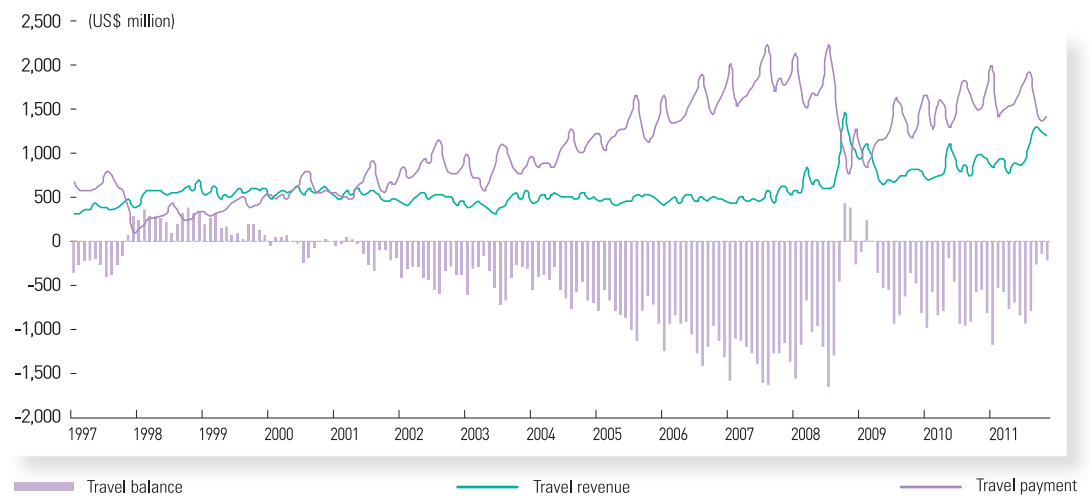
10-1 Current account balance

Source: The Bank of Korea (balance of payments trend)



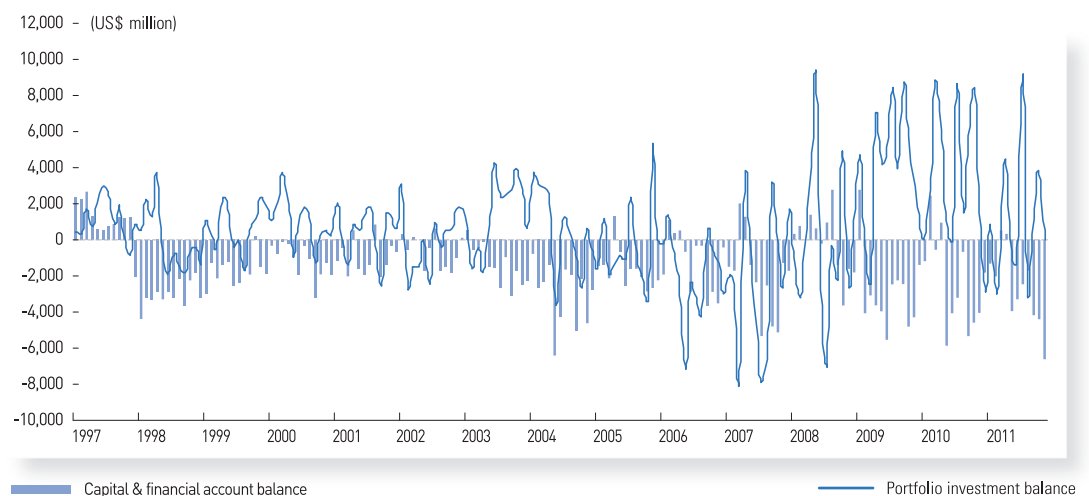
10-2 Travel balance

Source: The Bank of Korea (balance of payments trend)



10-3 Capital & financial account balance

Source: The Bank of Korea (balance of payments trend)



11. Prices and international commodity prices

11.1 Prices

Consumer prices in December rose 4.2 percent year-on-year. In 2011, consumer prices rose 4.0 percent. The prices of oil products moderated, along with those of personal services. However, prices of certain agricultural, livestock & fishery products, such as rice and pork, rose.

Core consumer prices, which exclude oil and agricultural products, rose 3.6 percent year-on-year and 0.4 percent month-on-month. Core consumer prices based on the OECD method, which excludes food and energy, rose 2.7 percent. Consumer prices for basic necessities, a barometer of perceived consumer prices, were up 4.4 percent compared to the same month of the previous year.

Expected inflation and import prices both remain at high levels, but the upward trends have decelerated.

Expected inflation (%)

4.0 (Jul, 2011) → 4.2 (Aug) → 4.3 (Sep) → 4.2 (Oct) → 4.1 (Nov) → 4.0 (Dec)

Import price increases (y-o-y, %, won base)

10.0 (Aug, 2011) → 14.0 (Sep) → 16.0 (Oct) → 11.8 (Nov)

Consumer price inflation

(%)

	2010			2011								
	Dec	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Month-on-Month	0.4	0.7	0.4	0.0	0.0	0.2	0.5	0.7	-0.1	-0.2	0.1	0.4
Year-on-Year	3.0	3.9	4.1	3.8	3.9	4.2	4.5	4.7	3.8	3.6	4.2	4.2
Consumer prices excluding oil and agricultural products (y-o-y)	-	2.6	3.0	3.0	3.2	3.5	3.6	3.5	3.3	3.2	3.5	3.6
Consumer prices excluding food and energy (y-o-y)	-	2.1	2.4	2.5	2.7	2.8	2.8	2.8	2.6	2.6	2.8	2.7
Consumer prices for basic necessities (y-o-y)	-	4.6	4.7	4.1	4.0	4.5	4.9	5.2	3.8	3.6	4.5	4.4

Source: Statistics Korea

The prices of agricultural, livestock & fishery products, which had been declining since September, rose in December (up 2.3%, m-o-m) due to decreased supply of certain products, including rice, chili and pork. Decreased shipments of vegetables, affected by seasonal factors, also caused prices to rise.

Prices of agricultural, livestock & fishery products in December (m-o-m, %)

Chinese cabbage (-29.4), radish (-7.1), egg (-1.1), chili powder (0.9), rice (1.1), mackerel (3.5), spinach (11.0), pork (18.2), cucumber (41.0)

Industrial product prices stabilized (up 0.1%, m-o-m) overall as the prices of oil products fell. However, the prices of certain processed food and publications rose.

Rents continued to rise (up 0.3%, m-o-m) due to strong demand for rental housing. Personal service prices remained stabilized (up 0.2%, m-o-m).

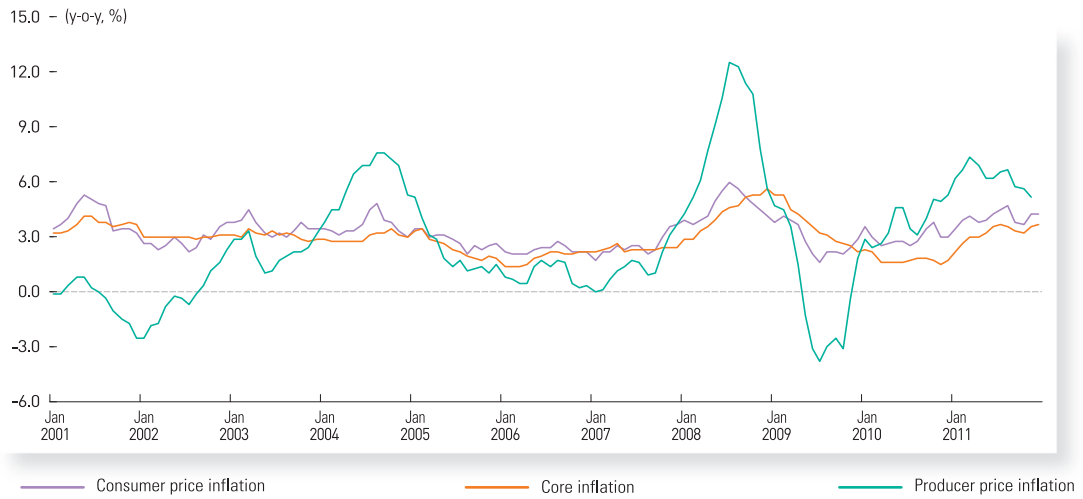
Consumer price inflation in major sectors

	Total	Agricultural, livestock & fishery products	Industrial products	Oil products	Housing rents	Public utility	Personal services
Month-on-Month (%)	0.4	2.3	0.1	-1.0	0.3	0.3	0.2
Contribution (%p)	0.38	0.19	0.03	-0.04	0.03	0.04	0.06
Year-on-Year (%)	4.2	5.8	5.3	11.0	5.0	-0.8	3.8
Contribution (%p)	4.16	0.46	1.70	0.60	0.46	-0.11	1.12

Source: Statistics Korea

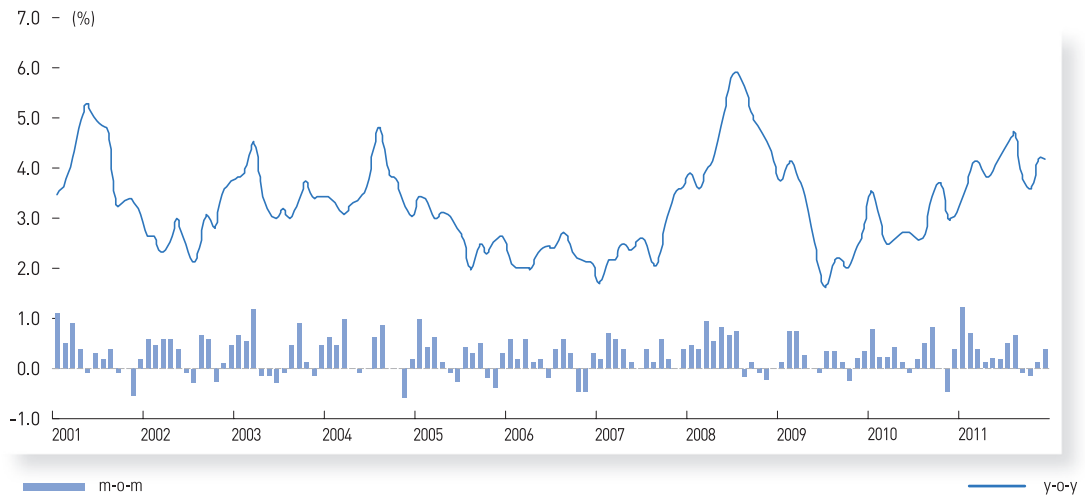
11-1 Prices

Source: Statistics Korea (consumer prices, core inflation) & The Bank of Korea (producer prices)



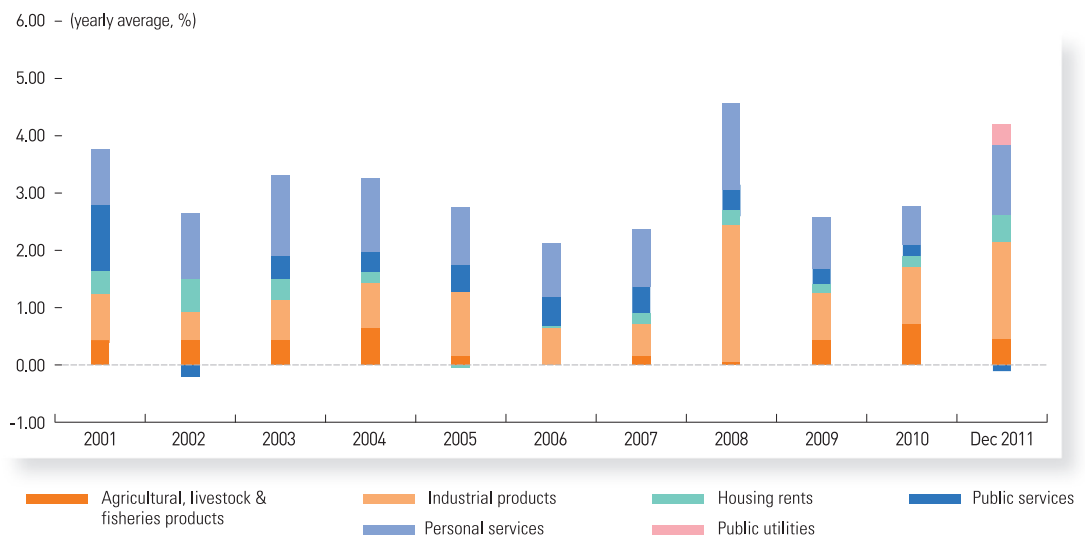
11-2 Consumer price inflation

Source: Statistics Korea (consumer price trend)



11-3 Contribution to consumer price inflation

Source: Statistics Korea (consumer price trend)



11.2. International oil and commodity prices

In December, the prices of international oil and domestic oil products inched down from the previous month.

Despite decreasing crude oil inventories in the OECD member nations and geopolitical risks in the Middle East such as Iran's nuclear program, international oil prices slightly fell due to predictions that the European financial crisis would lead to lower demand.

OECD crude oil inventories in October (International Energy Agency, Oil Market Report, as of end-Dec)
2.63 billion barrels (down 1.4% m-o-m)

(US\$/barrel, period average)

	2008	2009	2010	2011						
	Annual	Annual	Annual	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Dubai crude	94.3	61.9	78.1	107.5	110.2	105.0	105.7	103.5	107.9	105.5
Brent crude	97.5	61.7	79.7	114.0	116.8	110.0	111.5	109.1	110.5	107.7
WTI crude	99.9	61.9	79.5	96.3	97.3	86.3	85.6	86.5	97.3	98.7

Source: Korea National Oil Corporation

Domestic gasoline prices edged down, reflecting decreases in international oil prices. Diesel prices continued to rise, due to higher demand for heating fuel.

(Won/liter, period average)

	2008	2009	2010	2011						
	Annual	Annual	Annual	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Gasoline prices	1,692	1,601	1,710	1,915	1,935	1,946	1,945	1,978	1,981	1,943
Diesel prices	1,614	1,397	1,503	1,736	1,754	1,758	1,746	1,772	1,788	1,792

Source: Korea National Oil Corporation

In December, non-ferrous metal prices were mixed, while international grain prices declined in general.

Copper prices rose as a result of production disruptions caused by strikes at copper mines in Indonesia, but other non-ferrous metal prices fell due to uncertainties in the global economy and concerns about lower demand.

Prices of non-ferrous metals in December (m-o-m, %)
Tin (-8.5), aluminum (-3.0), copper (0.2), nickel (1.7)

Despite predictions of lower grain inventories worldwide, international grain prices continued to decline as the value of the dollar rose amid concerns over the European financial crisis.

World grain inventory outlook for 2011-12 (USDA, Nov)
458 million tons (down 0.8%, y-o-y)

Prices of grain in December (m-o-m, %)
Raw sugar (-4.2), corn (-3.2), soybean (-2.1), wheat (-0.5)

Reuters index*

(Period average)

2008	2009	2010	2011							
Annual	Annual	Annual	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
2,536	2,079	2,553	3,143	3,145	3,038	2,978	2,781	2,770	2,732	

* A weighted average index of 17 major commodities Source: KOREA PDS

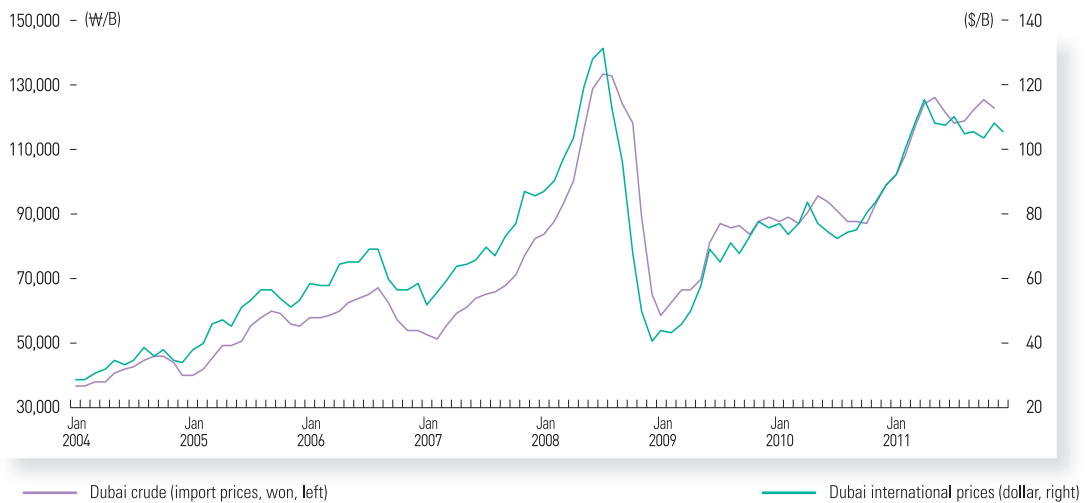
11-4 International oil prices

Source: Korea National Oil Corporation



11-5 International oil prices (Dubai crude) and import prices

Source: Korea National Oil Corporation & Korea Customs Service



11-6 International commodity prices

Source: Bloomberg (CRB) & The Bank of Korea (Reuters index)

* CRB demonstrates futures price index of 21 commodities listed on the US Commodity Transaction Market, including beans and other crops, crude oil and jewelry.



12. Real estate market

12.1 Housing market

The upward trend of nationwide apartment sales prices decelerated in November, with prices rising 0.2 percent from the previous month.

Apartment sales prices in the Seoul metropolitan area declined for the second consecutive month (*down 0.1%, m-o-m*).

Apartment sales price increases decelerated in areas excluding the Seoul metropolitan area, in particular Busan (*up 0.3%, m-o-m*), Daegu (*up 0.6%, m-o-m*), Gangwon Province (*up 0.6%, m-o-m*), and South Gyeongnam Province (*up 0.1%, m-o-m*). Apartment prices in 5 metropolitan cities and other cities climbed 0.5 percent and 0.7 percent each, surpassing the national average.

Nationwide apartment sales prices

(Percentage change from previous period)

	2008	2009	2010		2011											
	Annual	Annual	Annual	Annual	Q1	Q2	Aug	Sep	Oct	Nov	Dec	Dec 5 ¹	Dec 12 ¹	Dec 19 ¹	Dec 26 ¹	
Nationwide	2.3	1.6	2.5	9.6	3.1	2.9	0.7	0.7	0.5	0.6	0.2	0.04	0.06	0.03	0.04	
Seoul	3.2	2.6	-2.2	-0.4	0.6	-0.2	-0.1	-0.1	-0.1	-0.2	-0.2	-0.04	-0.02	-0.03	-0.03	
Gangnam ²	-1.9	3.9	-1.8	-0.6	0.8	-0.3	-0.1	-0.1	-0.2	-0.3	-0.2	-0.05	0.06	-0.05	-0.06	
Gangbuk ³	9.4	0.9	-2.7	-0.2	0.4	-0.1	-0.1	-0.1	0.0	-0.1	-0.1	-0.03	-0.02	-0.02	-0.02	
Seoul metropolitan area	2.9	0.7	-2.9	0.4	0.8	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.03	-0.02	-0.04	-0.04	
5 metropolitan cities	1.0	2.8	8.7	20.3	5.6	6.3	1.4	1.4	1.0	1.2	0.5	0.11	0.14	0.09	0.10	

1. Weekly trends 2. Upscale area of Southern Seoul 3. Northern Seoul Source: Kookmin Bank

Nationwide apartment rental price increases slowed down for the third straight month in December (*up 0.1%, m-o-m*). The rental prices swung negative in Seoul (*down 0.2%, m-o-m*) and Gyeonggi Province (*down 0.4%, m-o-m*).

Apartment rental price increase in major districts in Seoul (m-o-m, %)

Gangnam (-0.5), Seocho (0.0), Songpa (-0.2), Gangdong (-0.4)

Nationwide apartment rental prices

(Percentage change from previous period)

	2008	2009	2010		2011											
	Annual	Annual	Annual	Annual	Q1	Q2	Aug	Sep	Oct	Nov	Dec	Dec 5 ¹	Dec 12 ¹	Dec 19 ¹	Dec 26 ¹	
Nationwide	0.8	4.5	8.8	16.2	5.5	3.6	1.5	1.8	1.1	0.7	0.1	0.02	0.02	0.05	0.03	
Seoul	-1.8	8.1	7.4	13.4	5.1	1.5	1.7	2.2	1.0	0.3	-0.2	-0.04	-0.04	-0.04	-0.03	
Gangnam ²	-3.6	10.4	8.8	12.5	4.6	1.5	1.7	2.1	0.9	0.1	-0.2	-0.05	-0.06	-0.03	-0.03	
Gangbuk ³	0.5	5.4	5.6	14.6	5.7	1.4	1.8	2.3	1.2	0.5	-0.1	-0.04	-0.03	-0.06	-0.02	
Seoul metropolitan area	-0.4	5.6	7.2	13.9	5.6	2.2	1.6	2.0	1.1	0.2	-0.3	-0.07	-0.07	-0.03	-0.04	
5 metropolitan cities	1.6	3.9	12.0	18.9	5.8	5.5	1.3	1.4	1.1	1.3	0.3	0.09	0.08	0.09	0.06	

1. Weekly trends 2. Upscale area of Southern Seoul 3. Northern Seoul Source: Kookmin Bank

Apartment sales transactions in November decreased 6.1 percent from the previous month's 48,444 to 45,479, down 15.1 percent from 53,558 a year earlier.

Apartment sales transactions

(Monthly average, thousand)

	2007	2008	2009	2010				2011											
	Annual	Annual	Annual	Annual	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Nationwide	38	39	44	40	34	41	54	63	45	52	59	56	48	47	43	44	43	48	45

Source: Ministry of Land, Transport and Maritime Affairs

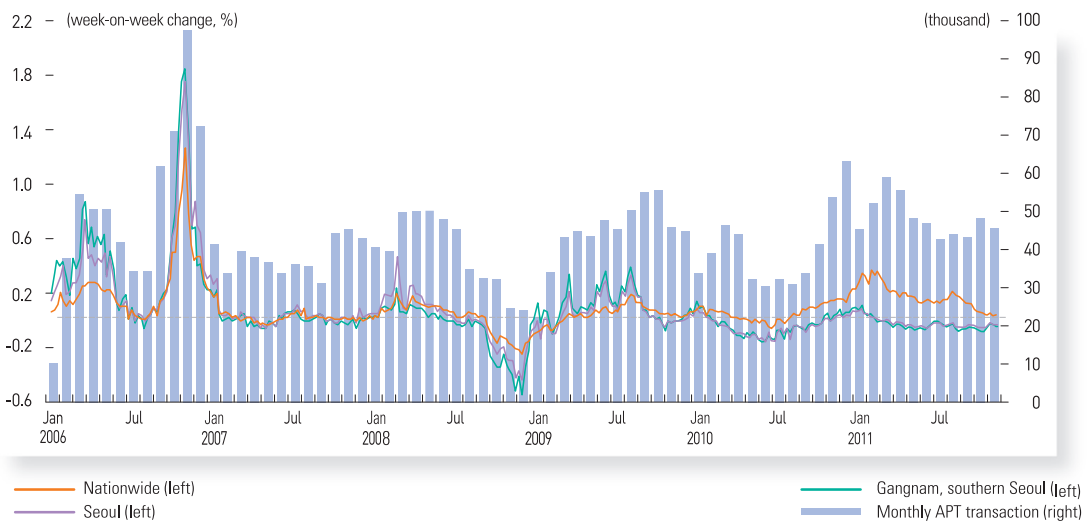
12-1 Real estate prices

Source: Kookmin Bank (national housing price trend)



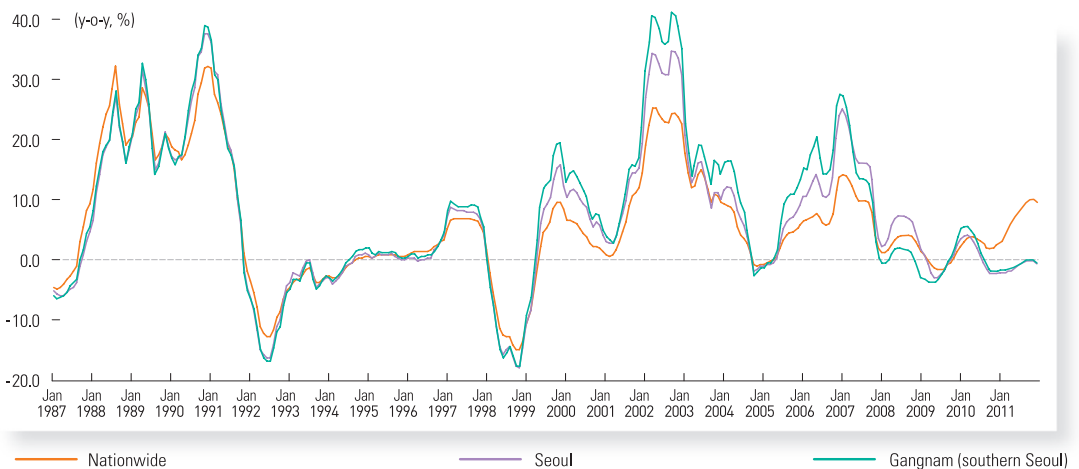
12-2 Weekly apartment sales prices and monthly transaction volume

Source: Kookmin Bank (weekly APT price trend) & Korea Land Corporation (monthly land trade trend)



12-3 Apartment prices by region

Source: Kookmin Bank (national housing price trend)



12.2 Land market

Nationwide land prices in November rose for the 13th consecutive month (*up 0.1%, m-o-m*), but were still 1.16 percent lower than the pre-crisis peak reached in October 2008. Land prices were higher compared to October 2010, when the prices fell 0.04 percent. The pace of an increase slightly accelerated nationwide.

Monthly land prices in Seoul (*up 0.04%*), the Seoul metropolitan area (*up 0.08%*), Gyeonggi Province (*up 0.13%*) and Incheon (*up 0.05%*) continued to rise.

Land price increases in Seoul metropolitan area (m-o-m, %)

0.10 (Jun, 2011) ◯ 0.10 (Jul) ◯ 0.10 (Aug) ◯ 0.09 (Sep) ◯ 0.08 (Oct) ◯ 0.08 (Nov)

Land prices in areas excluding the Seoul metropolitan area rose 0.13 percent month-on-month in November, continuing the upward trend since October 2010.

Land price increases in areas excluding Seoul metropolitan area (m-o-m, %)

0.09 (Jun, 2011) ◯ 0.10 (Jul) ◯ 0.09 (Aug) ◯ 0.11 (Sep) ◯ 0.12 (Oct) ◯ 0.13 (Nov)

Land prices by region

(Percentage change from previous period)

	2007	2008	2009		2010			2011									
	Annual	Annual	Annual	Q4	Annual	Q3	Q4	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Nationwide	3.88	-0.31	0.96	0.94	1.05	-0.05	0.11	0.09	0.11	0.10	0.10	0.10	0.10	0.09	0.09	0.10	0.10
Seoul	5.88	-1.00	1.40	0.81	0.53	-0.25	0.39	0.12	0.15	0.12	0.09	0.07	0.07	0.05	0.05	0.04	0.04
Gyeonggi	4.22	-0.26	1.22	1.36	1.49	-0.08	0.07	0.08	0.10	0.11	0.12	0.14	0.15	0.15	0.13	0.13	0.13
Incheon	4.86	1.37	1.99	1.70	1.43	-0.10	0.02	0.06	0.06	0.06	0.06	0.06	0.05	0.06	0.05	0.05	0.05

Source: Korea Land & Housing Corporation

Nationwide land transactions in November recorded 209,000 land lots, up 4.6 percent from the previous month and up 0.4 percent from 208,000 a year earlier. Land transactions were 8.0 percent less than the most recent five-year November average of 227,000 land lots.

Monthly land transactions increased in areas such as Jeju (*up 29.6%*), South Gyeongnam Province (*up 18.3%*), Daejeon (*up 12.5%*), and Daegu (*up 11.4%*).

Land sales transactions

(Land lot, thousand)

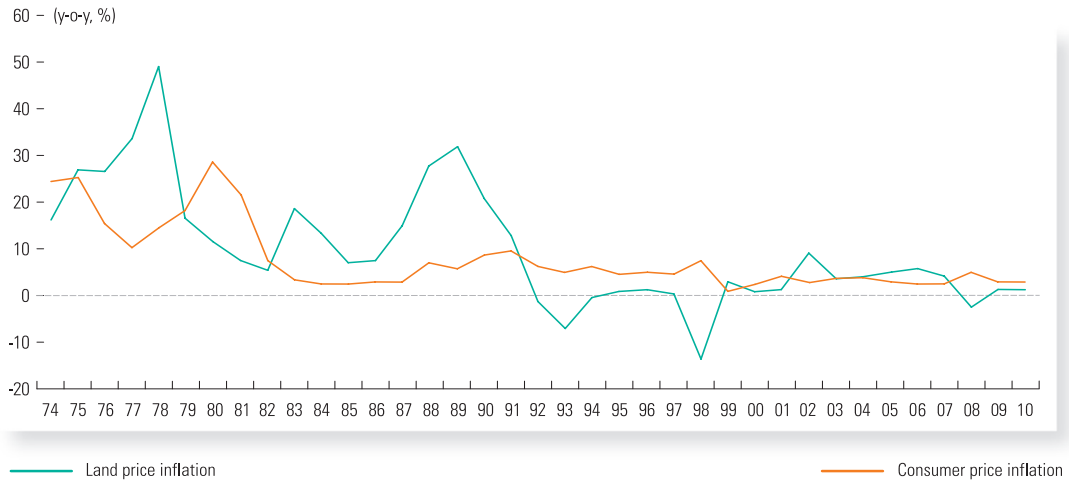
	2007	2008	2009			2010			2011										
	Annual ¹	Annual ¹	Annual ¹	Nov	Dec	Annual ¹	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Nationwide	208	208	203	207	241	187	208	257	191	176	244	226	212	207	196	196	181	200	209
Seoul	33	26	22	19	21	16	18	24	18	17	23	19	18	18	15	17	16	18	17
Gyeonggi	49	45	46	48	58	41	45	58	46	38	52	46	43	40	40	39	39	41	42
Incheon	13	13	10	11	12	8	9	11	8	9	13	11	13	10	11	9	9	9	9

1. Monthly average

Source: Korea Land & Housing Corporation

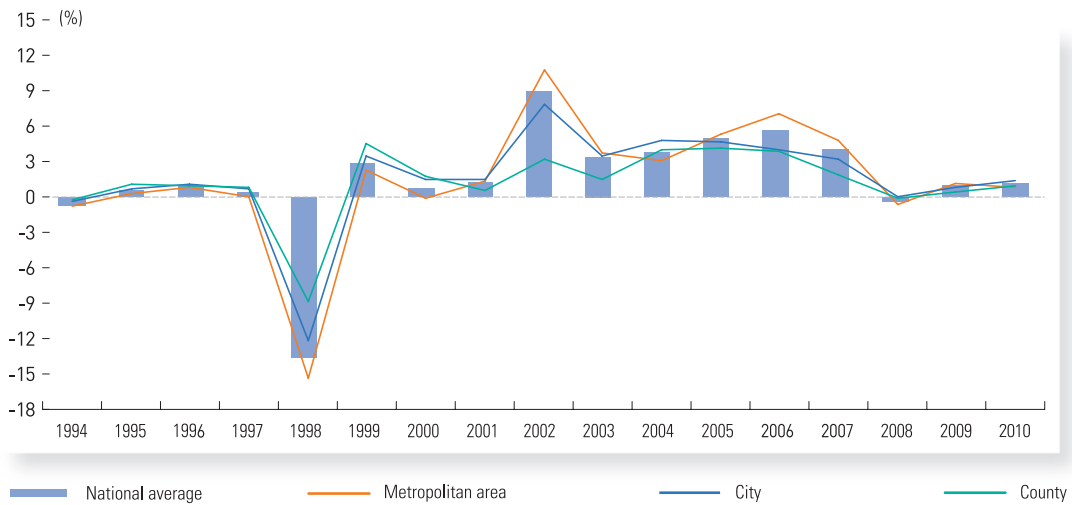
12-4 Land and consumer prices since 1970s

Source: Korea Land Corporation (land prices) & Statistics Korea (consumer prices)



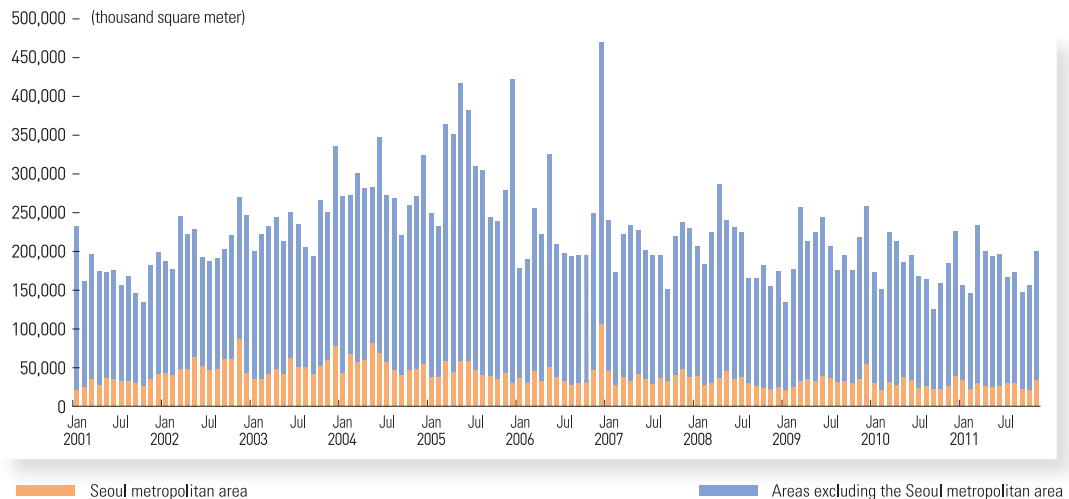
12-5 Land prices by region

Source: Korea Land Corporation (land price trend)



12-6 Land trade volume

Source: Korea Land Corporation (land trade trend)



13. Composite indices of business cycle indicators

Industrial output in November decreased 1.1 percent month-on-month, but increased 3.1 percent year-on-year. Output from all industries declined, including mining & manufacturing (*down 0.4%, m-o-m*), services (*down 0.5%, m-o-m*), public administration (*down 3.7%, m-o-m*) and construction (*down 9.2%, m-o-m*).

The cyclical indicator of the coincident composite index fell 0.6 points in November.

Among the components of the coincident composite index, mining & manufacturing production rose, while seven other components, including domestic shipments and volume of imports, were lower compared to the previous month.

Components of the coincident composite index in November (m-o-m)

Mining & manufacturing production (0.1%), number of non-farm payroll employment (-0.1%), wholesale & retail sales (-0.4%), manufacturing operation ratio (-0.5%), service activity (-0.5%), value of construction completion (-0.7%), domestic shipments (-1.0%), volume of imports (-1.1%)

The year-on-year leading composite index rose 0.1 percentage point from the previous month.

Among the components of the leading composite index, five, including the value of machinery orders received and consumer expectations index, were higher compared to the previous month, while the other five, such as the value of construction orders received and indicator of inventory cycle, dropped.

Components of the leading composite index in November (m-o-m)

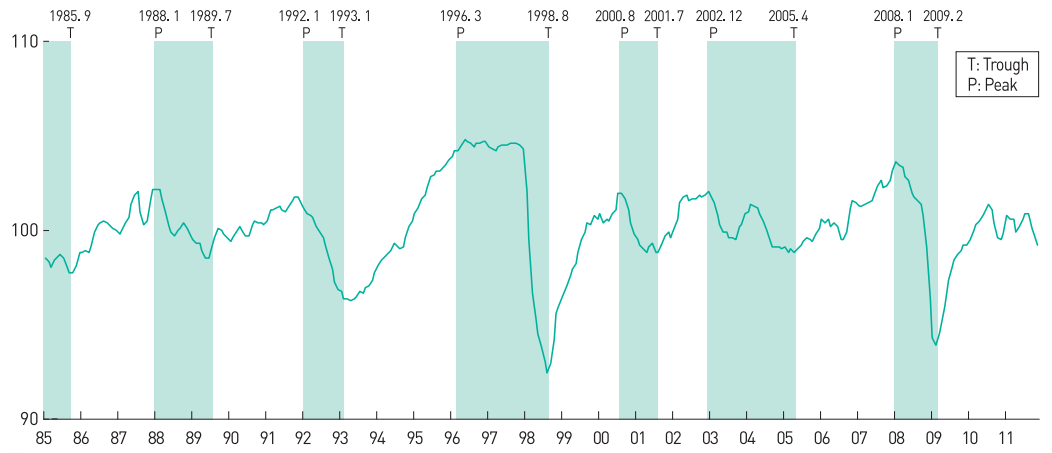
Value of machinery orders received (8.7%), consumer expectations index (2.8p), ratio of job openings to job seekers (1.4%p), composite stock price index (0.8%), liquidity in the financial institutions (0.3%), spreads between long & short term interest rates (-0.1%p), net terms of trade (-1.2%), value of capital goods imports (-1.7%), indicator of inventory cycle (-2.5%p), value of construction orders received (-12.3%)

	2011							
	Apr	May	Jun	Jul	Aug ¹	Sep ¹	Oct ¹	Nov ¹
Industrial output (m-o-m, %)	-1.3	1.7	1.7	-1.6	-0.2	0.1	0.2	-1.1
(y-o-y, %)	3.2	4.4	4.0	3.1	4.3	4.7	4.6	3.1
Coincident composite index (m-o-m, %)	-0.3	0.8	0.8	0.7	0.4	-0.4	0.1	-0.2
Cyclical indicator of coincident composite index (m-o-m, p)	99.9	100.2	100.6	100.9	100.9	100.1	99.8	99.2
Leading composite index (m-o-m, %)	-0.4	0.5	0.5	0.5	0.1	-0.4	-0.2	0.2
12 month smoothed change in leading composite index (%)	1.0	1.3	1.7	2.0	1.9	1.4	1.0	1.1
(m-o-m, %p)	-0.6	0.3	0.4	0.3	-0.1	-0.5	-0.4	0.1

1. Preliminary

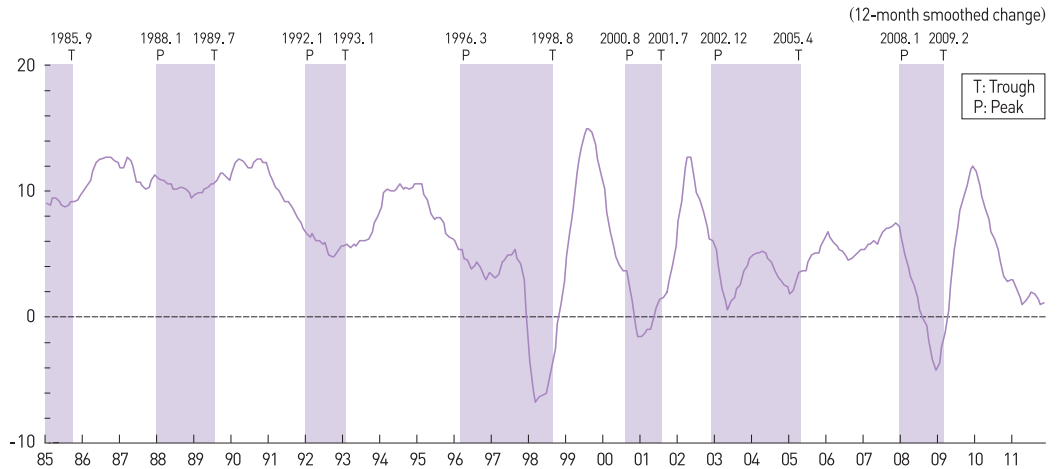
13-1 Cyclical indicator of coincident composite index

Source: Statistics Korea



13-2 Leading composite index

Source: Statistics Korea



13-3 Coincident and leading composite indices

Source: Statistics Korea

