



Nov. 30, 2023

Research Department &  
Office of Economic Modeling and Policy Analysis

## Economic Outlook (November 2023)

### Summary

- ◆ Korea’s economy was sluggish in the first half of the year, but has been improving modestly thanks to the rebound in the IT business cycle since the second half of the year, and growth is expected to continue to improve next year.
- ◆ Consumer price inflation has been slowing since its peak last year and has recently rebounded due to supply shocks, but it is predicted to show an overall slowing trend due to weakening domestic demand-side inflationary pressures.
- ◆ In sum, Korea’s economy is expected to continue to improve, driven by exports and facilities investment, and inflation is forecast to be slightly higher than the previous forecast due to the impact of accumulated cost push inflationary pressures and other factors, but the trend is expected to continue to slow.

Figure 1. GDP forecast

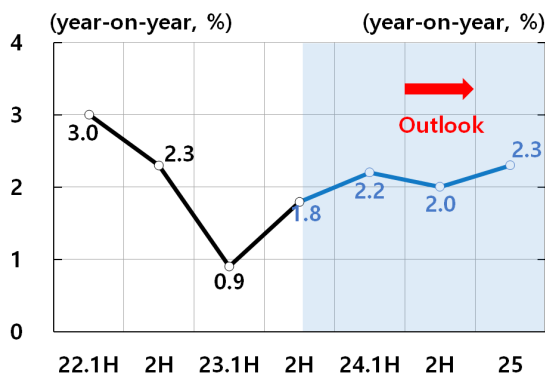
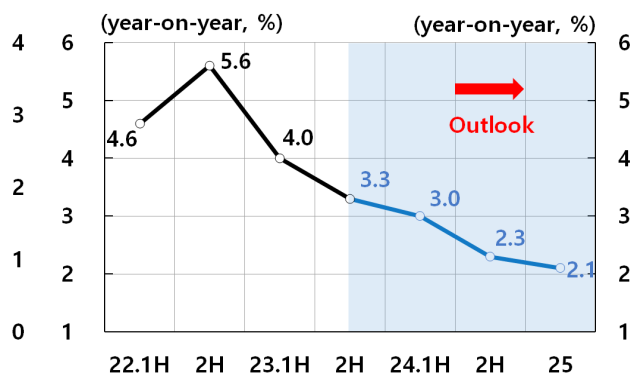


Figure 2. CPI forecast



## I. GLOBAL ECONOMIC CONDITIONS

The global economy is expected to continue its modest growth next year, as it has this year, due the impact of high interest rates continues.

- In the U.S., growth is expected to slow over the next year due to the cumulative impact of interest rate hikes, but it will be more resilient than initially expected. Growth in the euro area is forecast to improve slightly over the next year, but the economy will remain weak overall. In China, growth will continue to slow due to the contraction in the real estate sector, but the pace of slowdown will be more gradual than previously expected owing to supportive policy measures. Global trade is projected to gradually recover, mainly in the merchandise trade, which has been weak.
- International oil prices have risen significantly since the last forecast due to OPEC+ production cuts and to the Israel-Hamas war, but have recently fallen due to renewed concerns about slowing demand, and there is a lot of uncertainty regarding the future trend. Influenced by this, consumer price inflation in major economies has rebounded somewhat recently, but the underlying trend is likely to continue to slow.

**Table 1. Baseline assumptions of economic forecast**

(year-on-year, %)

	2022		2023		2024		2025	
	Year	1H	2H	Year	1H	2H	Year	Year
<b>World economic growth (%)</b>	3.4	2.9	2.9	2.9	2.4	3.1	2.8	3.0
<b>United States</b>	1.9	2.0	2.7	2.4	1.8	0.9	1.3	1.8
<b>Euro area</b>	3.4	0.8	0.1	0.4	0.5	1.3	0.9	1.6
<b>China</b>	3.0	5.5	5.0	5.2	4.6	4.7	4.6	4.5
<b>Japan</b>	0.9	1.9	1.5	1.7	0.7	1.2	1.0	0.9
<b>World trade growth (%)</b>	5.1	0.4	1.1	0.8	3.6	3.3	3.4	3.6
<b>Oil prices (USD per barrel)<sup>1)</sup></b>	101	80	86	83	86	85	85	81

Notes: 1. Brent oil basis.

## II. ECONOMIC OUTLOOK

**Korea's economic growth is expected to increase from 1.4% this year to 2.1% next year.**

- Looking at the growth trend, the Korean economy, which was sluggish at the beginning of the year, is expected to improve in the second half of the year, driven by exports. Accordingly, the growth rate is predicted to be 1.4% this year, in-line with the previous forecast. In 2024, growth is projected to continue to improve owing to a recovery in exports and to facilities investment, but is expected to be slightly below the previous forecast (2.2%) due to weakening momentum in domestic demand, including consumption and construction investment.
- There are many uncertainties related to monetary policy changes in major countries, to international oil price movements, to future growth in the Chinese economy, and to geopolitical risks.

**Consumer price inflation is forecast to continue its slowdown, but to remain slightly higher than the previous projection both this and next year.**

- Going forward, consumer price inflation is expected to decrease in November, and it will gradually moderate and will run at around 3% in the first half of the next year, and it is projected to be 2.6% in 2024.
- There remains a high degree of uncertainty regarding the future path of inflation, including global oil prices, the economic situations both at home and abroad, and the pass-through of accumulated cost increases.

**The current account surplus is predicted to widen to \$30 billion this year and to \$49 billion next year.**

- In the second half of the year, the current account surplus widened significantly from the first half, as exports improved while imports continued to decline, and the surplus is expected to continue next year due to the recovery in global trade.
- As a result, the current account surplus to GDP ratio is expected to increase from the high 1% range this year to the high 2% range next year.

**The increase in the total employment is expected to slow to 340,000 this year and go down to 240,000 next year.**

- The pace reflects a decline mainly in the services sector due to weakening domestic demand recovery momentum, but is forecast to be more gradual than expected due to a continuing labor supply from women and the elderly population .
- The unemployment rate is predicted to rise slightly from 2.7% this year to 2.9% next year.

**Given large uncertainties regarding the future path, we analyzed two alternative scenarios related to commodity price developments and to the global manufacturing sector.**

- Scenario 1: If geopolitical conflicts intensify again, if commodity prices increase, and if secondary spillover effects expand, growth in 2024 is expected to decline to the high 1% range (1.9%), while inflation for 2024 is forecast to be slightly above the baseline forecast (2.6%), at 2.8%.
- Scenario 2: If the global manufacturing industry, such as semiconductors, rebounds rapidly, growth in 2024 is estimated to increase to the low- to mid-2% range (2.3%), and inflation will be in the mid- to high 2% range (2.8%) as the recovery in exports and investments strengthens.

**In sum, the Korean economy is expected to continue to improve, driven by exports, and inflation is predicted to be slightly higher than previous forecast due to the impact of cost push inflationary pressures, but the trend is forecast to continue to slow.**

- The economy is expected to gradually improve driven by exports due to the rebound in the semiconductor industry, but domestic demand is predicted to recover more slowly than previously expected due to the impact of monetary policy tightening.
- Consumer price inflation is slowing overall, but it is necessary to continue to be wary of inflation risks, as inflation is expected to remain above target for a considerable period of time.

**Table 2. Forecast summary**

(year-on-year, %)

	2022	2023		2024		2025		
	Year	1H	2H	Year	1H	2H	Year	Year
<b>GDP</b>	2.6	0.9	1.8	1.4	2.2	2.0	2.1	2.3
Private consumption	4.1	3.1	0.7	1.9	1.5	2.2	1.9	2.2
Facilities investment	-0.9	5.3	-5.8	-0.4	0.8	7.5	4.1	3.7
Intellectual property products investment	5.0	2.9	1.3	2.1	2.8	2.1	2.4	3.4
Construction investment	-2.8	1.8	3.6	2.7	0.5	-3.7	-1.8	-0.7
Goods exports	3.6	-0.9	5.4	2.3	4.1	2.7	3.3	3.3
Goods imports	4.3	1.9	-2.1	-0.2	0.7	4.1	2.4	2.9
<b>CPI inflation</b>	5.1	4.0	3.3	3.6	3.0	2.3	2.6	2.1
Core inflation <sup>1)</sup>	3.6	3.9	3.2	3.5	2.6	2.1	2.3	2.0
<b>Current account (billion dollars)</b>	29.8	2.4	27.6	30.0	13.0	36.0	49.0	59.0
Goods account	15.1	-3.5	28.9	25.4	19.5	37.5	57.0	75.3
Services account	-5.5	-11.9	-11.7	-23.6	-10.5	-11.4	-21.9	-29.3
Primary/Secondary income account	20.3	17.8	10.4	28.2	4.0	9.9	13.9	13.0
<b>Changes in number of persons employed<sup>2)</sup> (10,000 persons)</b>	82	37	30	34	25	22	24	18
Unemployment rate(%)	2.9	3.0	2.4	2.7	3.1	2.7	2.9	2.9
Employment-to-population ratio(%) <sup>3)</sup>	62.1	62.2	63.0	62.6	62.6	63.2	62.9	63.1

Notes: 1. Excluding food and energy. 2. Year-on-year changes. 3. Aged over 15.