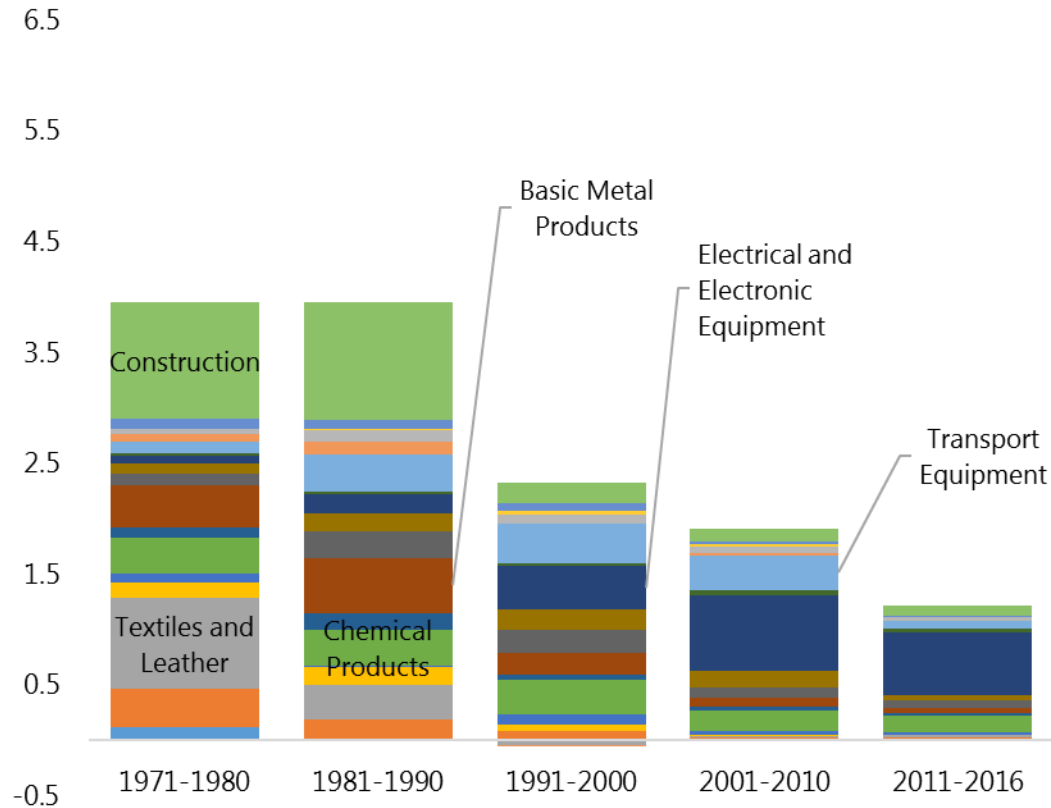


Declining Potential Growth in Korea
by
Dongchul Cho and Kyooho Kwon

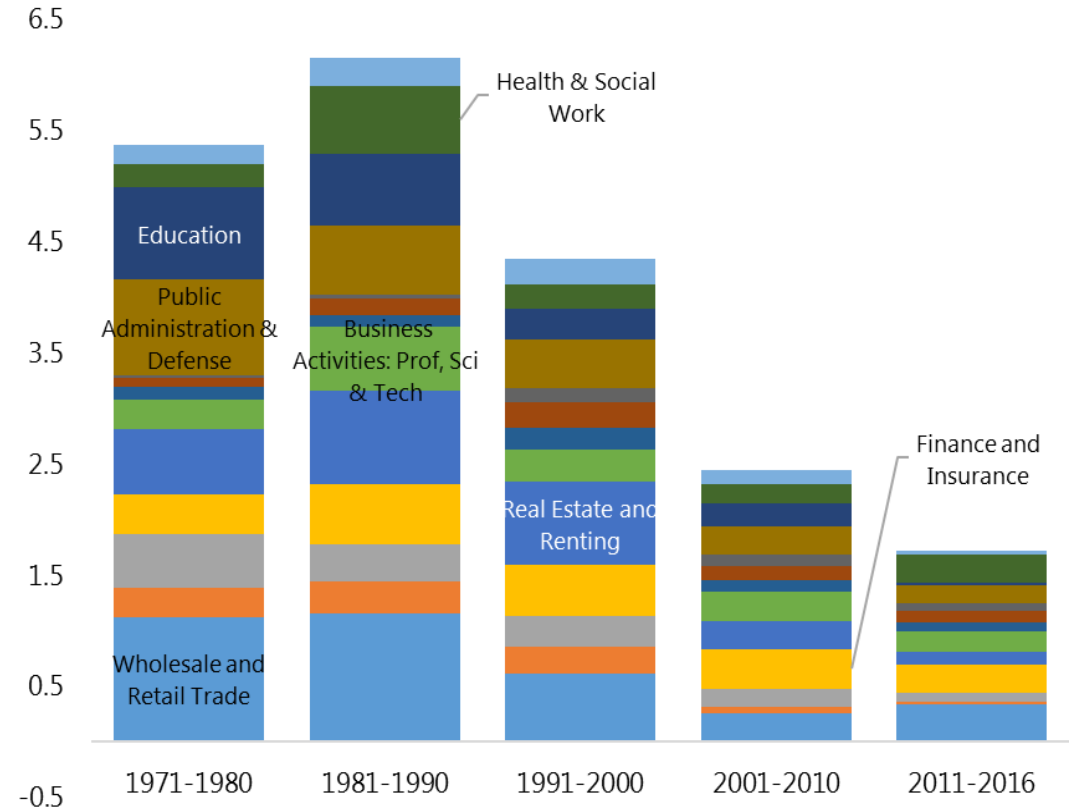
Comments by Tarhan Feyzioglu
International Monetary Fund

Sectoral contribution to growth

Contribution to Growth by Industrial Sectors



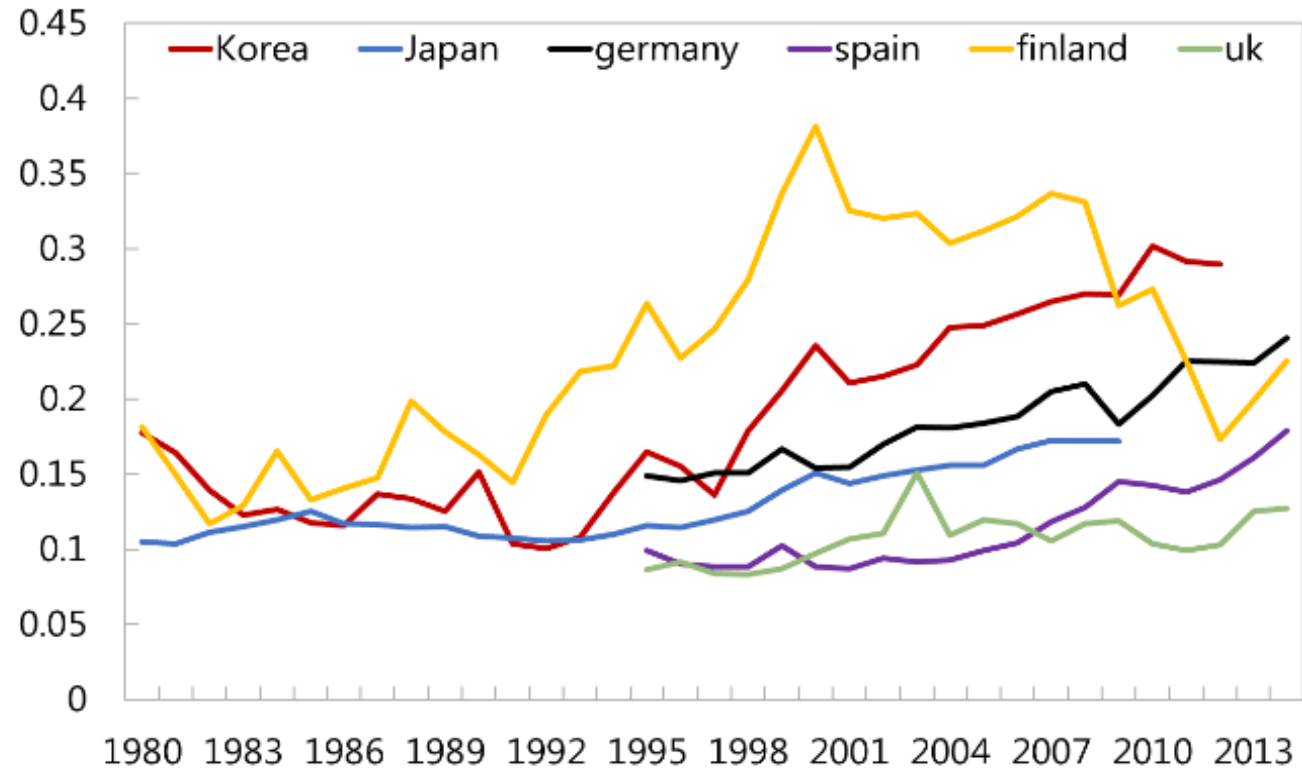
Contribution to Growth in Service Sectors



Diversification in manufacturing

Domestic Diversification - Manufacturing

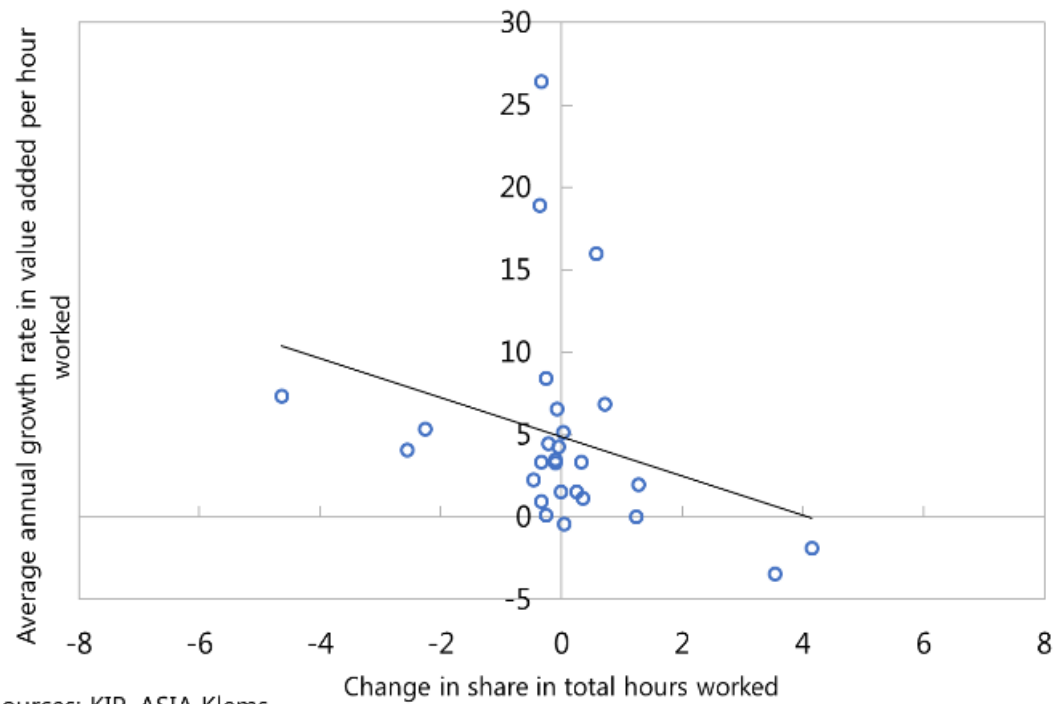
(Theil Index)



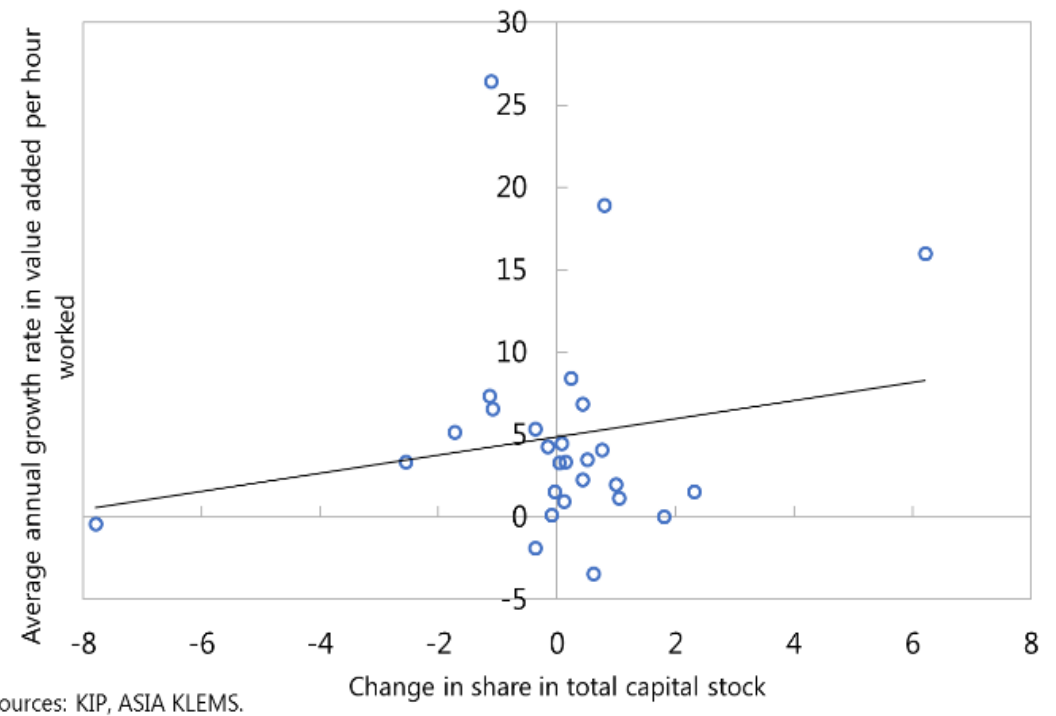
Sources: Segoe UI - Size 18

Allocation of labor and capital

Growth in labor productivity and change in hours
(2000-2012)



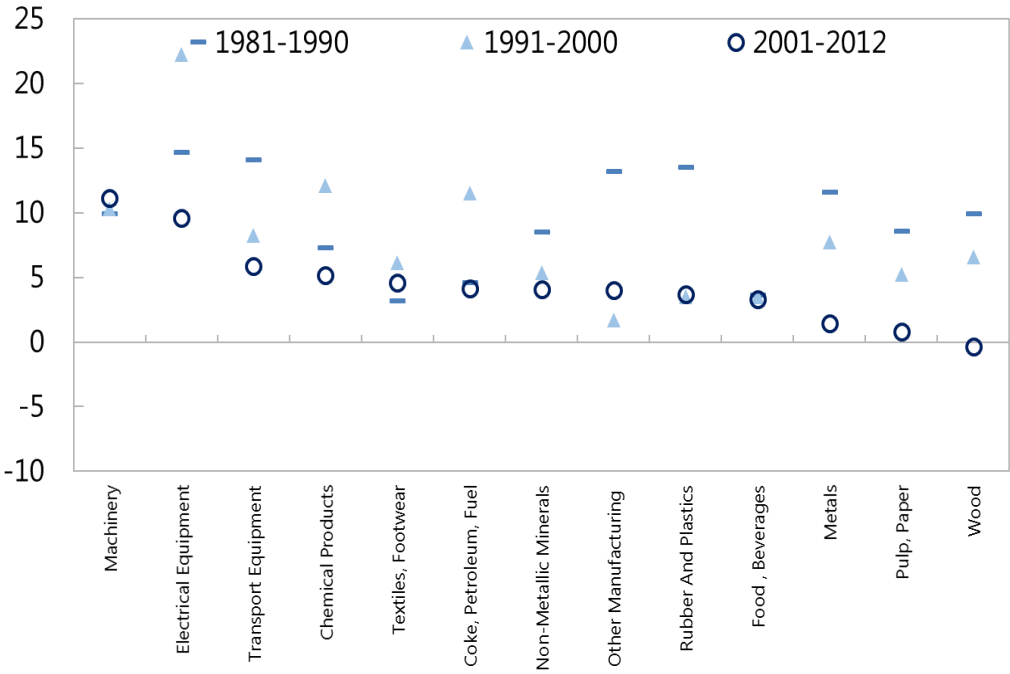
Growth in labor productivity and change in capital stock
(2000-2012)



Labor productivity growth

Labor productivity growth

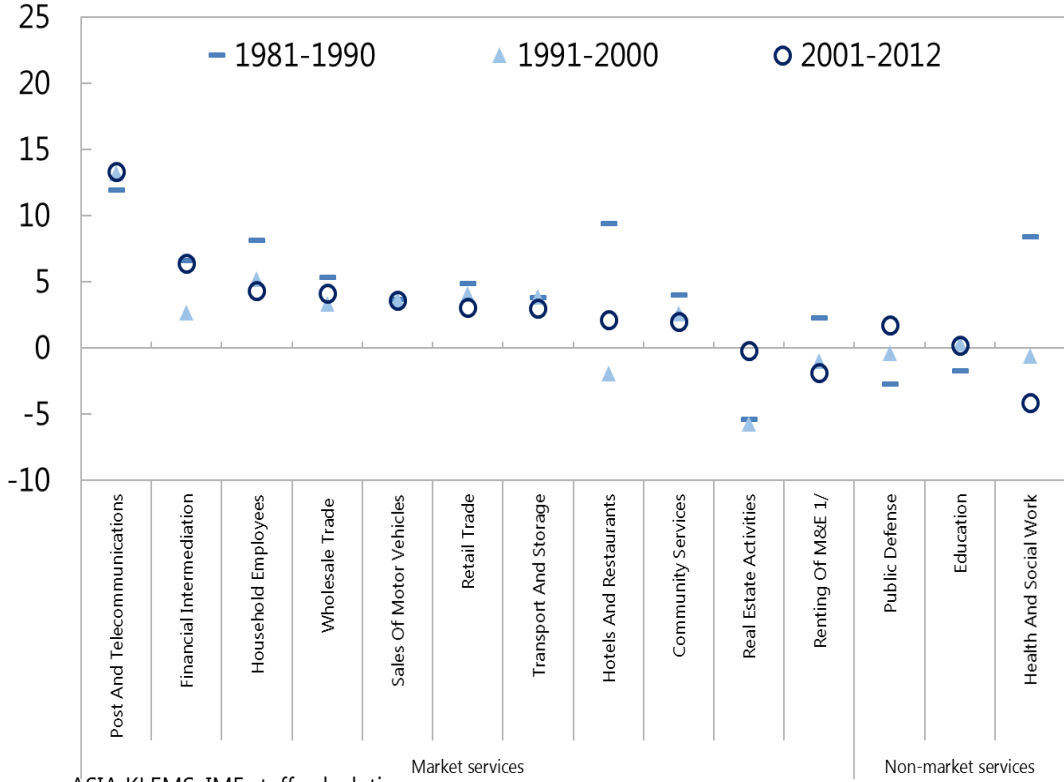
(Thousand of KRW per hour worked, 2005 prices, Manufacturing sectors)



Sources: ASIA KLEMS, IMF staff calculations.

Labor productivity growth

(Thousand of KRW per hour worked, 2005 prices, Services sectors)

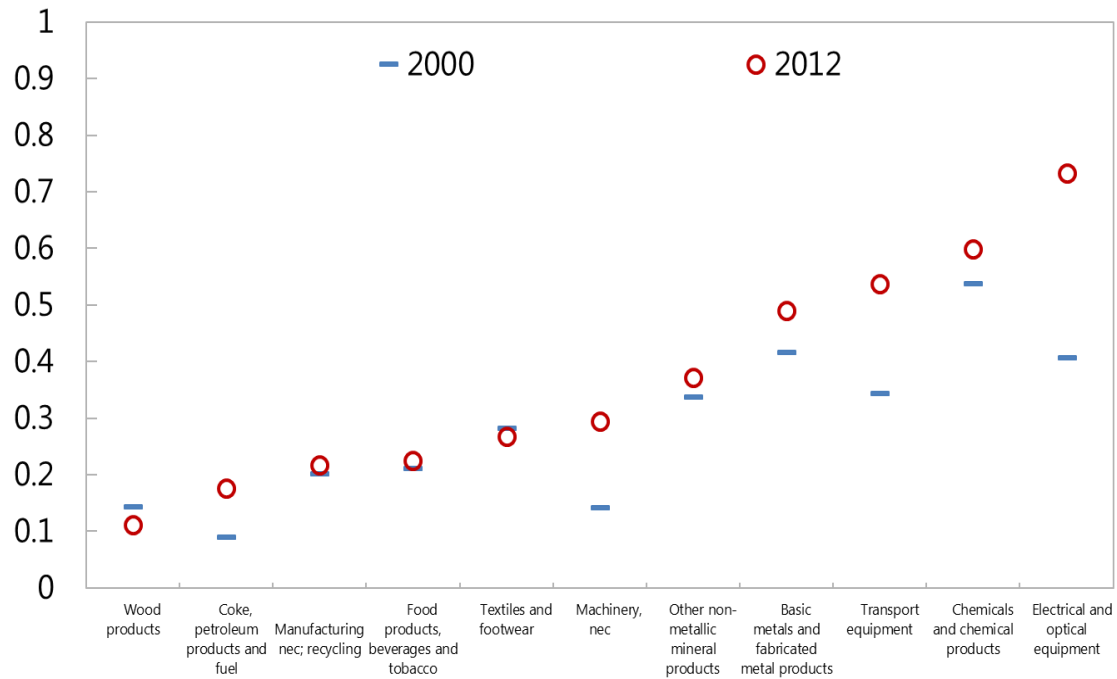


Sources: ASIA KLEMS, IMF staff calculations.

Relative labor productivity

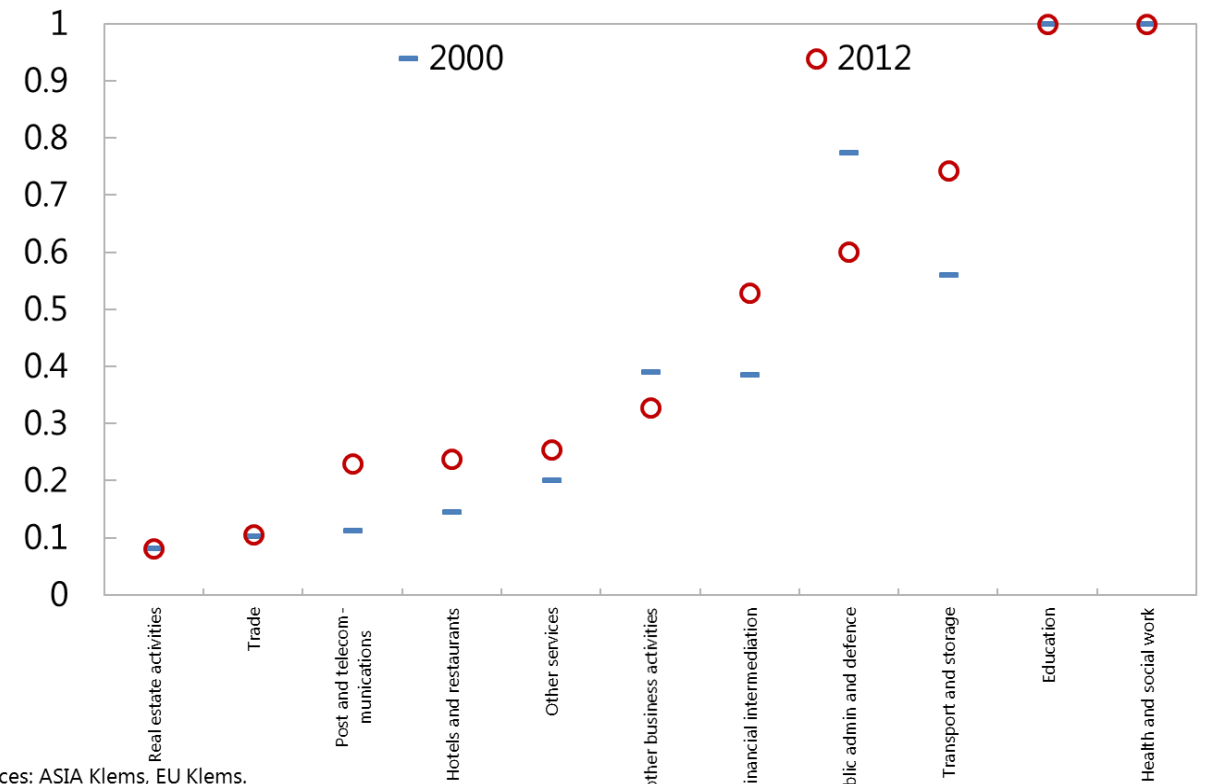
Relative labor productivity level to frontier*

(Manufacturing sectors)



Relative labor productivity level to frontier*

(Services sectors)



Sources: ASIA Klems, EU Klems, Staff calculations.

Note: *frontier is the country with highest productivity among Korea, UK, Japan (2009), Spain, Finland.

Sources: ASIA Klems, EU Klems.

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Contributors to the decline in inflation

