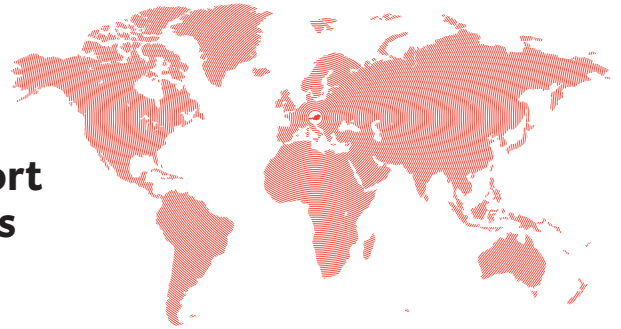


# Oberbank

## Economic and Banking Report

### Global Financial Institutions



## South Korea

### Economic situation

> Real economic growth of 3.1 %

South Korea is changing with the times and has evolved since the Korean War in 1953 from a largely agrarian nation to a highly industrialised country that is currently at the forefront of the world in terms of innovation technologies. Although the Republic of Korea was not entirely spared the effects of the Covid-19-pandemic, the country is in a recovery phase. With a projected **real economic growth of 3.1 % in 2021**, South Korea is the **first OECD country** to reach **pre-pandemic economic levels**.

In contrast, South Korea has the highest unemployment rate since the beginning of the new millennium at 4 % and is also struggling with a 5 % decline in private consumption, which goes hand in hand with the largest consumption deficit since the late

1990s. As a result, the **key interest rate was cut to a historic low of 0.5 %**, which is expected to be maintained until the end of 2021. The hoped-for increase in consumption of +2.8 %, which was set by public incentives, was already corrected downwards in the first quarter. It can be assumed that the slow recovery of the labour market and weak wage growth will continue to dampen the increase in private consumption.

Furthermore, an **inflation rate of 1.5 %** is expected for 2021, which is due to the forecasted increase in private consumption and rising food prices. In addition, rising input factor prices, such as commodity prices and demand-driven increases in freight costs, are contributing to higher inflation.

The IT sector, in particular the semiconductor market, can be named as the nation's current flagship. The global demand for semiconductors has experienced a strong upswing due to changes in professional and working life. With a projected **10 % increase in the international semiconductor market**, South Korea will continue to benefit and expand its dominant position in the future.

*South Korea's economy on track for growth: first OECD country at pre-pandemic level.*

### Technology as the key to success

> Tracking and monitoring system as an active pandemic strategy

In general, South Korea has a comparatively good grip on the pandemic and is one of the pioneers in terms of pandemic containment with its **active pandemic control strategy**. Successes, such as the prevention of a nationwide lockdown, are attributed to short government response times, a high level of compliance among the population, strict entry and exit regulations, and the use of digital data. In particular, digital infrastructure, in the form of ef-

fective **tracking and monitoring systems**, is South Korea's approach to pandemic management. Measures such as entry logs, camera surveillance and mobile phone tracking have been made possible by special regulations, which are strictly enforced in case of refusal. The otherwise EU-like data protection regulations were thus lifted due to the pandemic.

#### Summary:

- Country in recovery phase, expected economic growth of 3.1 %
- "Korean New Deal" as a measure for economic stabilisation
- South Korea first OECD country to reach pre-pandemic economic level
- Semiconductor market as decisive contribution to the revitalisation of the country
- Tracking and monitoring as an approach to pandemic control

### > With innovation into the new age

Apart from the technology-based pandemic control strategy, the country's affinity for technology and innovation is reflected in the **"Korean New Deal"**, among other things.

Here, innovations as well as future industries are supported and promoted

by the state. In addition to advancing progress in the country, this deal not only attempts to stabilise challenges such as the highest unemployment rate, but also to increase international competitiveness in the production sector.

With achievements in the field of urban air mobility and the expansion of the hydrogen infrastructure, South Korea is once again proving that it is right to be at the **forefront of innovation**.

### Key economic figures

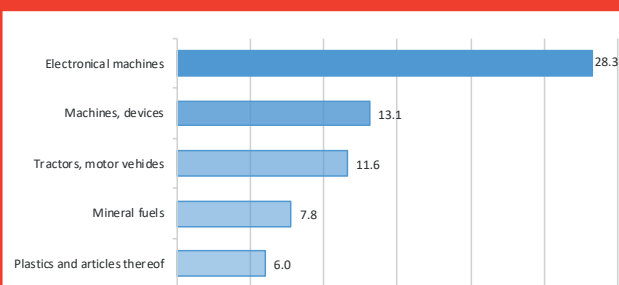
	2019	2020	2021	2022*
Nominal GDP in billions of USD	1,647	1,621	1,793	1,877
GDP/capita at purchasing power parity in USD	44,427	44,807	46,919	49,062
Population in millions	51.2	51.3	51.3	51.3
Real economic growth in %	2.0	-0.9	3.1	2.7
Inflation rate (in %)	0.7	0.5	1.5	1.7
Unemployment rate in %	3.8	3.8	3.8	3.6
Exchange rate of the national currency				
KRW to EUR; 100 KRW = in EUR	0.078	0.074	0.075	n.s.
Country's exports of goods in billions of USD	561.9	521.5	590.6	613.9
Country's imports of goods in billions of USD	485.1	442.1	496.9	525.6

\* Forecast; Source: WKO, April 2021

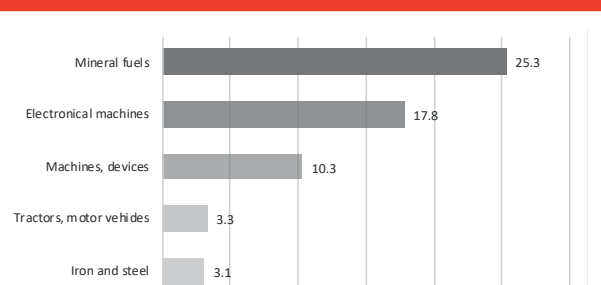
## Exports/Imports

The Republic of Korea's most important trading partner remains China, with an export share of 25.8 %. The EU ranks third with 10.1 %. Semiconductors, vehicles and petrochemical products are the most important trade goods.

### Top 5 Exported goods



### Top 5 Imported goods



Source: WKO, Länderprofil 2021; 2019 in %

## Economic relations with Austria

After China and Japan, South Korea is considered Austria's third-largest Asian trade and export partner and continues to offer numerous opportunities in the future due to its still rising standard of

living. These open up in particular in the consumer goods sector, as quality products continue to be in demand and "made in Austria" is highly valued. Promising business opportunities for Aus-

trian niche and quality suppliers are also offered by future-oriented sectors such as smart factories, new transport solutions, but also environmental technologies and renewable energies.

### > Imports to Austria

In 2020, Austria recorded an increase of +7.4 % in imports from South Korea. Road vehicles as well as electronic machinery and apparatus, each accounting for around 27 % of goods imports, occupy a priority position.

**Imports of goods 2020: +7.4 %**

### > Exports from Austria

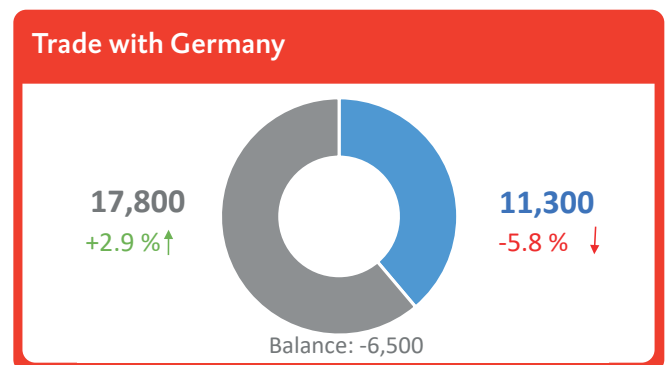
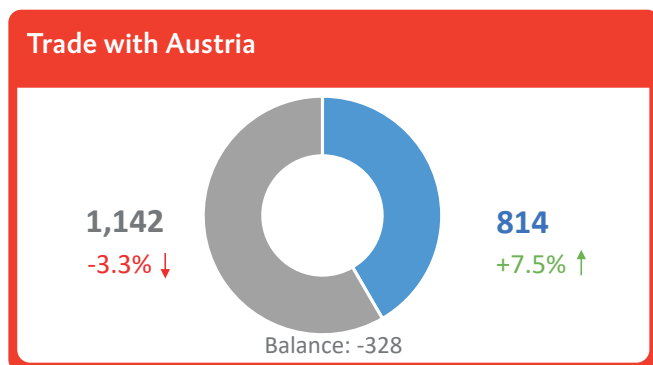
Road vehicles are also predominant in exports, with a 27.9 % share. Electric vehicles in particular are among the winners of this pandemic with an export increase of 65.9 %. In addition, machinery, whether power, labour or electric, are among the top exports. Together, these take a share of 30.7 %. In 2020, the export ratio is slightly down compared to the previous year, but is subject to an overall growth trend in view of the last few years.

**Exports of goods 2020: -3.3 %**

Economic relations	2020	2019	Change compared to previous year in %
<b>Austria and Germany</b>			
Austrian exports of goods in EUR million	1,142	1,181	-3.3
Austrian imports of goods in EUR million	813.6	757.3	+7.4
Austrian exports of services in EUR million	207	166	+24.7*
Austrian imports of services in EUR million	678	72	+15.3*
German imports in EUR million	11,300	12,000	-5.8
German exports in EUR million	17,800	17,300	+2.9

Source: Wirtschaftsbericht WKO and Germany Trade & Invest  
\*own calculation

## South Korea's foreign trade



2020, change YOY, in EUR million  
Imports, exports and balance from South Korea's perspective; own presentation

## Assessment of the business environment

	South Korea
Ease of Doing Business 2020	Rank 5 out of 190 countries
Global Competitiveness Index 2019	Rank 13 out of 141 countries
Corruption Perceptions Index 2020	Rank 33 out of 180 countries
Rule of Law Index (World Justice Project) 2020	Rank 17 out of 128 countries
Most important goods export market AT/DE 2020	Rank 22 / Rank 18

Current rankings of Oberbank regions in the Ease of Doing Business Index:

Germany	22
Austria	27
Czech Republic	41
Slovakia	n. s.
Hungary	5

The **Ease of Doing Business Index** is considered the world's best-known and most comprehensive study of business friendliness and business regulation in national economies. South Korea is currently ranked 5th in the world, making it one of the top countries. In comparison, Austria is in 27th place.

This index influences large companies as well as business decisions. As a result, many governments are seeking reforms to improve their country ranking.

The ranking of the **Global Competitiveness Index** refers to the year 2019. The turbulent developments of the Co-

vid-19-pandemic can be named as the reason for the pause of the latest edition.

The **Rule of Law Index** aims to present a picture of the rule of law in countries based on 44 indicators and is published annually.

## Rating South Korea

> Non-investment grade

Agency	Rating	Outlook	Date
Fitch	AA-	Stable	6 October 2020
S&P	AA	Stable	7 August 2016
Moody's	Aa2	Stable	12 May 2020

South Korea is grappling with challenges related to demographic ageing, moderate manufacturing growth as well as geopolitical risks related to the neighbouring country of North Korea.

Nevertheless, Fitch justifies the current Double A rating by emphasising the robust policy responses to the Covid-19-pandemic.

*Double-A ratings with stable outlook for the country.*

South Korea's economy and public finances were comparatively little affected.

## South Korea's biggest banks

Place	Bank	Total Assets
1	Kookmin Bank	403,193*
2	Shinhan Bank	393,290*
3	KEB Hana Bank	364,334*
4	Woori Bank	344,216*
5	NongHyup Bank	310,493*
6	Korea Development Bank	280,475*
7	Industrial Bank of Korea	274,943*
8	The Export-Import Bank of Korea	80,311*
9	Standard Chartered Bank Korea Limited	76,501*
10	The Busan Bank Co. Ltd.	48,269

Total assets as of 31.12.2020 in USD million; \* consolidated  
Source: Bankers Almanac, download on 15.07.2021

### Oberbank Expertise

#### Banks shaded in grey:

Oberbank has an active relationship with these relationship banks (SWIFT/RMA) and is thus able to provide documentary transactions for customers.

Payment transactions are also possible with all South Korean banks via our clearing bank partners.

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GFI Creation date: August 2021

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Commercial Register No.: FN 79063 w, Landesgericht Linz (State Court of Linz), DVR: 0019020