

Dec
2017**Deutsche Bank South Korea Newsletter****Brief update on the Korean economy and the financial sectors****Economic
/Political
Update****South Korea's Q3 GDP revised up 1.5% gain, GNI up 2.4 on quarter:**<http://pulseneews.co.kr/view.php?sc=30800018&year=2017&no=797399>
(Maeil, 1 Dec 2017)**Korea's industrial output, domestic demand droops in October on downturn in auto sector:**<http://pulseneews.co.kr/view.php?sc=30800025&year=2017&no=794051>
(Maeil, 30 Nov 2017)**Bank of Korea makes first rate hike in more than 6 years, but does not mean shift in easing policy:**<http://pulseneews.co.kr/view.php?sc=30800025&year=2017&no=793734>
(Maeil, 30 Nov 2017)**Korea's Q3 single-person household income fall the most in four years:**<http://pulseneews.co.kr/view.php?sc=30800025&year=2017&no=788626>
(Maeil, 28 Nov 2017)**Financial/
Industrial
Sector****Mercedes Benz to open AMG racing circuit:**<http://koreajoongangdaily.joins.com/news/article/Article.aspx?aid=3041466>
(Korea Joongang Daily, 1 Dec 2017)**Strike ends at Hyundai Motor, but talks go on:**<http://koreajoongangdaily.joins.com/news/article/Article.aspx?aid=3041449>
(Korea Joongang Daily, 30 Nov 2017)**Four companies join bid for Dongbu Daewoo Electronics:**<http://koreajoongangdaily.joins.com/news/article/Article.aspx?aid=3041422>
(Korea Joongang Daily, 30 Nov 2017)**Supreme Court upholds fine against Qualcomm:**<http://koreajoongangdaily.joins.com/news/article/Article.aspx?aid=3041353>
(Korea Joongang Daily, 29 Nov 2017)**31 Oct 2017 KOSPI 2,523.43p, KOSDAQ 694.20p****30 Nov 2017 KOSPI 2,476.37p, KOSDAQ 771.42p**

1 December 2017

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Abbreviation index: BOK=Bank of Korea, CPI=consumer price index, DB=Deutsche Bank, FCY=Foreign currency, FDI=foreign direct investment, FSC=Financial Supervisory Commission, FSS=Financial Supervisory Service, FTA=Free Trade Agreement, FX=Foreign exchange, GDP=gross domestic product, GM Re= Deutsche Bank Global Markets Research, GNI=gross national income, IMF=International Monetary Fund, KAMCO=Korea Asset Management Corporation, KCCI=Korea Chamber of Commerce & Industry, KDI= Korea Development Institute, KOSPI=Korea Composite Stock Price Index, KOTRA=Korea Trade-Investment Promotion Agency, KRW=Korean Won, KRX=Korea Exchange, KS=Korea Statistics (former National Statistics Office), KT=Korea Times, KTB=Korean Treasury Bonds, MAEIL=Maeil Business Newspaper & mk.co.kr, MLTM=Ministry of Land, Transport & Maritime Affairs, MOCIE=Ministry of Commerce, Industry & Energy, MOCT=Ministry of Transport & Construction, MOKE=Ministry of Knowledge Economy, MOL=Ministry of Labor, mom=month-on-month, MOSF=Ministry of Strategy & Finance, nsa=not seasonally adjusted, NPL=Non-performing loan, NTS=National Tax Service, OECD=Organization for Economic Cooperation & Development, PPI=producer price index qoq=quarter-on-quarter, sa=seasonally adjusted, saar=seasonally adjusted annual rate, SERI=Samsung Economic Research Institute, SME=small-/ medium-sized enterprises, yoy=year-on-year, ytd=year to date.

FX Rates	(Source: Reuters)	KRW/USD	KRW/100JPY	KRW/EUR	KRW/GBP
	- As of 31 Oct 2017	1117.40	983.21	1301.12	1484.16
	- As of 30 Nov 2017	1087.10	965.91	1293.90	1470.34
Interest Rates	Certificate of Deposit (CD) yield (91d)	1.40% p.a. (31 Oct 17)		1.64% p.a. (30 Nov 17)	
	Treasury Bond yield (5y)	2.16% p.a. (31 Oct 17)		2.26% p.a. (30 Nov 17)	
	Corp Bond yield ("AA-" rated, 3y)	2.73% p.a. (31 Oct 17)		2.63% p.a. (30 Nov 17)	

**Asia
Economics
Monthly
10 Nov
2017**

With the negative output gap closing, EM Asia central banks are likely to opt for moderate rate hikes ahead – generally less aggressively than the Fed.

China: Our 2017 GDP growth forecast is 0.1ppts higher now at 6.8%. President Xi's long-term view on China focuses more on the quality of growth rather than the speed, which we think is appropriate. We expect the leaders set the growth target for 2018 more flexibly, and growth will slow to 6.3%.

Hong Kong: Fiscal and monetary policies are moving in opposite directions. Last month's Policy Address seemed to promise a more expansionary fiscal policy. The HKMA has, temporarily we think, suspended liquidity draining operations but interest rates are most likely to continue rising through 2019.

India: A sequential recovery in growth from July-Sep'17 quarter is likely, with the momentum improving further in 2HFY18, as the base effect turns positive.

Indonesia: GDP growth is stable at about its long-run potential rate, despite curiously weak retail sales growth. Inflation is low enough but the IDR depreciation recently and rising crude oil prices pose upside risks that we think will convince BI to refrain from further easing.

Malaysia: Recent data suggest upside risks to our 2017 GDP growth forecast but also to our inflation forecast. Core inflation remains low enough that BNM need be in no hurry to raise interest rates, but we expect one hike next year.

Philippines: Growth remains above potential, which should push inflation higher next year, causing BSP to start raising rates around mid-year. Inflation risks are to the upside.

Singapore: Strong Q3 outcome pushes up our 2017 and 2018 growth forecast to 2.9% and 2.7%, respectively, setting the stage for tightening ahead.

South Korea: A very strong finish to Q3 pushes up our 2017 and 2018 GDP growth forecasts by 0.2ppts. With China demand posing further upside risks to Korea's growth next year, cementing policy rate hikes by the BoK.

Sri Lanka: The Sri Lankan economy is slowly stabilizing, but fiscal and external sector improvement needs to be sustained over a long period, to put the economy back in a self-sustaining high growth trajectory.

Taiwan: Although we expect some payback in growth is likely in Q4 after the strong surge to 3.1% in Q3, it is likely to remain sufficiently strong to set the stage for rates hikes in 2018 as inflation rises.

Thailand: Barring negative inventory shocks, Thailand is likely to report sharply stronger GDP growth of high 4% in Q3 vs. 3.7% in Q2.

Vietnam: Vietnam kicked off Q4 on a strong note, suggesting that the government's 2017 growth target of 6.7% is likely to be met, albeit unfavorable weather conditions pose downside risks in November.

(Please feel free to contact your DB representatives for the full version of the "Asia Economics Monthly" or other periodical reviews.)

Economic & Financial Indicators

Sources:
Asia Economics
Monthly

As of
**10 Nov
2017**

-Please note that these figures may not match with those mentioned before due to different sources.-

		2015	2016	2017F	2018F
Nominal GDP	USD bn	1,383	1,412	1,509	1,569
GDP per Capita	USD	27,328	27,788	29,603	30,676
Real GDP Growth	% yoy	2.8	2.8	3.1	2.9
Priv. consumption	% yoy	2.2	2.5	2.4	2.6
Gov't consumption	% yoy	3.0	4.3	3.8	4.7
Inflation	% yoy ann avg	0.7	1.0	2.0	1.9
Merchandise Exports	USD bn	542.9	511.8	573.7	615.5
Merchandise imports	USD bn	420.6	391.3	450.2	487.1
Trade Balance	USD bn	122.3	120.4	123.5	128.4
Current Account	USD bn	105.9	98.7	85.1	83.6
Gov't debt	% of GDP	37.7	38.1	41.5	42.6
>Domestic	% of GDP	37.3	37.6	41.1	42.2
>External	% of GDP	0.5	0.5	0.4	0.4
Total external debt	% of GDP	29.3	29.6	27.1	26.6
FX reserves	USD bn	368.0	371.1	388.3	392.7
Unemployment	%	3.6	3.7	3.8	3.8
FDI (net)	USD bn	-19.7	-16.4	-16.0	-17.0
FX Rate (eop)	KRW/USD	1172	1209	1130	1160

Financial market	Current	4Q 17	1Q 18	2Q 18
BoK base rate	1.25	1.25	1.50	1.50
91-day CD	1.40	1.55	1.73	1.75
10-year yield (%)	2.56	2.70	2.80	2.80
KRW/USD	1113	1130	1130	1140

Moody's: Aa2

S&P:AA

Fitch: AA-

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