

February
2018

Deutsche Bank South Korea Newsletter

Brief update on the Korean economy and the financial sectors

**Economic
/Political
Update**

Inflation hits 17-month low in January 2018:

http://www.koreatimes.co.kr/www/biz/2018/02/367_243447.html

South Korea's export jumps 22.2% in January 2018:

http://www.koreatimes.co.kr/www/biz/2018/02/367_243422.html

Moon's policies worry European companies:

http://www.koreatimes.co.kr/www/biz/2018/02/367_243330.html

**Financial/
Industrial
Sector**

Lee's return to accelerate inroads into new business and global network:

<http://www.koreaherald.com/view.php?ud=20180205000840>

Online shopping surpasses 78 trillion won:

<http://www.koreaherald.com/view.php?ud=20180204000104>

Naver V Vietnam users surge tenfold in 2 years:

<http://www.koreaherald.com/view.php?ud=20180131000875>

30 Jan 2018 KOSPI 2,567.74p, KOSDAQ 920.96p

28 Dec 2017 KOSPI 2,467.49p, KOSDAQ 798.42p

FX Rates	(Source: Reuters)	KRW/USD	KRW/100JPY	KRW/EUR	KRW/GBP
	- As of 31 Jan 2018	1069.00	978.83	1327.80	1517.02
	- As of 29 Dec 2017	1066.40	946.20	1279.22	1440.88
Interest Rates					
	Certificate of Deposit (CD) yield (91d)	1.65% p.a. (31 Jan 18)		1.66% p.a. (29 Dec 17)	
	Treasury Bond yield (5y)	2.57% p.a. (31 Jan 18)		2.34% p.a. (29 Dec 17)	
	Corp Bond yield ("AA-" rated, 3y)	2.81% p.a. (31 Jan 18)		2.68% p.a. (29 Dec 17)	

**The House
View
23 Jan
2018**

We expect global growth to accelerate to +3.8% in 2018, marginally faster than 2017 which was the fastest in a decade, with the improvement led by the US and emerging markets. Relative to consensus, we are most bearish on the UK and Japan. We expect the Eurozone to continue growing above potential, but do not anticipate any further acceleration. In China, we expect growth to slow and are more worried about inflation and financial risks than consensus.

This remains a very robust and broad-based economic backdrop. However, 2018 should mark the peak of the current cyclical expansion, and growth should decelerate from 2019.

(Please feel free to contact your DB representatives for the full version of the "The House View" or other periodical reviews.)

Economic & Financial Indicators

Sources:
Asia Economics
Monthly

As of
19 Jan 2018

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

		2016	2017F	2018F	2019F
Nominal GDP	USD bn	1,411	1,520	1,696	1,777
GDP per Capita	USD	27,788	29,812	33,167	34,738
Real GDP Growth	% yoy	2.8	3.2	2.9	2.4
Priv. consumption	% yoy	2.5	2.4	2.6	2.1
Gov't consumption	% yoy	4.3	3.8	4.8	4.5
Inflation	% yoy ann avg	1.0	2.0	1.9	2.3
Merchandise Exports	USD bn	511.8	576.0	619.7	650.7
Merchandise imports	USD bn	391.3	455.4	497.9	530.1
Trade Balance	USD bn	120.4	120.6	121.8	120.6
Current Account	USD bn	99.1	79.9	74.5	71.9
Gov't debt	% of GDP	38.1	41.2	41.2	41.7
>Domestic	% of GDP	37.6	40.8	40.8	41.3
>External	% of GDP	0.56	0.4	0.4	0.4
Total external debt	% of GDP	29.6	28.3	24.7	24.0
FX reserves	USD bn	371.1	386.1	397.4	399.1
Unemployment	%	3.7	3.7	3.7	3.7
FDI (net)	USD bn	-16.4	-16.0	-18.0	-20.0
FX Rate (eop)	KRW/USD	1,209	1,071	1,070	1,90

Financial market	Current	18 Q1F	18 Q2F	18 Q4F
BoK base rate	1.50	1.50	1.50	1.75
91-day CD	1.66	1.73	1.75	2.05
10-year yield (%)	2.64	2.80	3.00	3.10
KRW/USD	1,071	1,060	1,040	1,070

Moody's: Aa2

S&P:AA

Fitch: AA-

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