



# Economics Group

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## South Korean Exports Get a Lift in November

*November trade figures in Korea showed a rare increase in exports. In this short report, we discuss how brightening prospects for global growth offer a welcome offset to domestic scandals at home.*

### A Rare Increase in Exports Amid Brightening Global Outlook

The Korean economy has been beset by the slowing in global trade, which has been reflected in a drag from net exports in eight out of the past nine quarters. Trade figures for November released earlier today indicated an increase in the year-over-year figures for exports. This is only the second time in the past two years that the monthly trade figures showed a year-over-year increase in exports.

There is a case to be made for some brightening in prospect for the global economy. Indeed, earlier this week the OECD upgraded its global growth forecast to 3.3 percent for 2017 and 3.6 percent for 2018. That is a somewhat more sanguine projection for global GDP than our own forecast for global GDP growth of 3.0 percent for 2017 and 3.1 percent for 2018. But any improvement in global growth will be welcome news for South Korea's export-driven economy.

### Domestic Concerns

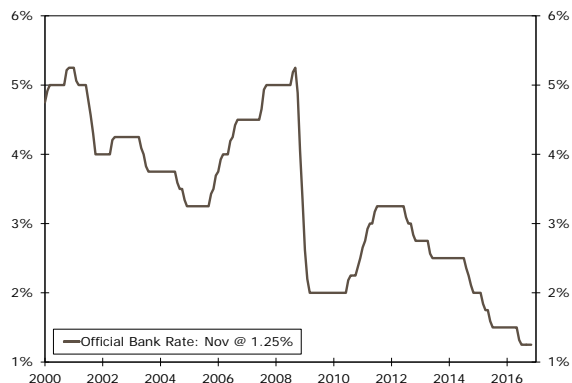
While it waits for the global economy to pick up steam, Korea can attempt to stoke domestic demand through accommodative monetary policy and government outlays. Government spending has been offsetting the drag from trade in recent years. In the third quarter, for example, government spending added 0.8 percentage points to the overall growth rate of 2.8 percent.

In terms of monetary policy, the Bank of Korea (BoK) has made only one adjustment to interest rates in 2016—a 0.25 percent cut in June, which reduced the target lending rate to 1.25 percent. That marked the eighth cut in interest rates since 2012. At its most recent meeting on Nov. 11, the BoK opted to remain on hold. Coming so close on the heels of the U.S. election, most of the post-meeting discussion focused on comments by BoK Governor Park about the potential implications of a Trump presidency to put even more downward pressure on global trade in general and Korea's exports in particular, should protectionist rhetoric become actual U.S. policy.

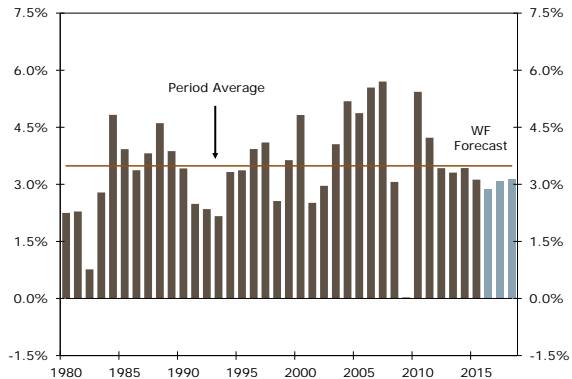
Korea also has its own domestic political uncertainty to worry over which. South Korean President Park Geun-hye has been implicated in a massive influence-peddling scandal that has brought hundreds of thousands of protesters out onto the streets of Seoul. An impeachment vote could come within the week.

Amid the uncertainty, the BoK should have adequate scope to keep rates accommodative. Earlier today, we learned the year-over-year rate of CPI inflation was 1.3 percent in November, and while that ties the fastest inflation rate reported the past two years, it is still below of the BoK's target inflation rate of 2.0 percent.

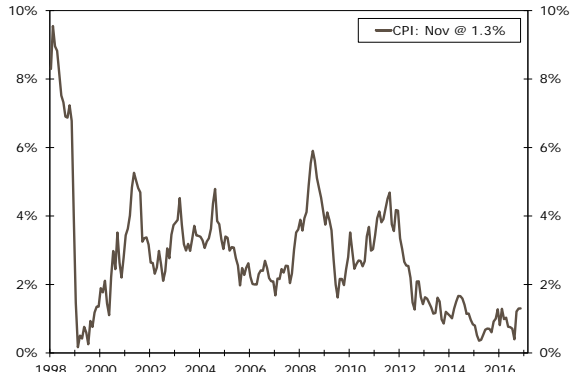
South Korean Official Bank Rate  
Percent



Real Global GDP Growth  
Year-over-Year Percent Change, PPP Weights



South Korean Consumer Price Index  
Year-over-Year Percent Change



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