REPUBLIC OF KOREA

- The Republic of Korea registered weaker-than-expected output growth of 2.6% in 2015, down from 3.3% in 2014. Falling exports, particularly heavy-industry goods, such as machinery and shipping vessels, mainly explain the slowdown.

- Consumer spending and tourist arrivals were dampened by the outbreak of the Middle East respiratory syndrome-coronavirus in mid-2015. In response, the Government introduced a $9 billion supplementary budget, and the fiscal deficit for 2015 increased slightly to 3% of GDP.

- The country’s monetary policy stance also eased to support economic growth amid low inflation. The benchmark interest rate was cut to a record low of 1.5% in June 2015.

- Together with public policies to support home ownership, low financing costs helped to revive the housing market and the construction sector.

- The labour market was relatively stable. Wage levels increased by about 3% in 2015. The unemployment rate was also low, although youth unemployment and informal employment are reported to have increased.

- The growth outlook is projected to improve slightly, to 2.9% in 2016 and 3.1% in 2017.

- Recovery in consumer spending is expected to be the main driver of growth, although its strength would be held back by high and rising levels of household debt.

- A possible rise in interest rates is a downside risk, which could undermine the recent rebound in real estate investment. As in past years, the downturn in global trade will limit overall economic growth in this export-oriented economy.