

## Korean GDP up just 0.1%, yet the worst seems to be over

South Korea grew by just 0.1% quarter-on-quarter seasonally adjusted in the fourth quarter of 2024 (vs. 0.1% in the third quarter. Market consensus: 0.2%). Net exports made a positive contribution to the economy, while domestic growth remained subdued. Both consumer and business sentiment indices have risen, and we believe that at least the worst of the domestic political uncertainty has passed, but the aftermath is likely to weigh on any meaningful recovery in the near term



South Korea's fourth quarter 2024 GDP rose just 0.1% but manufacturing confidence improved

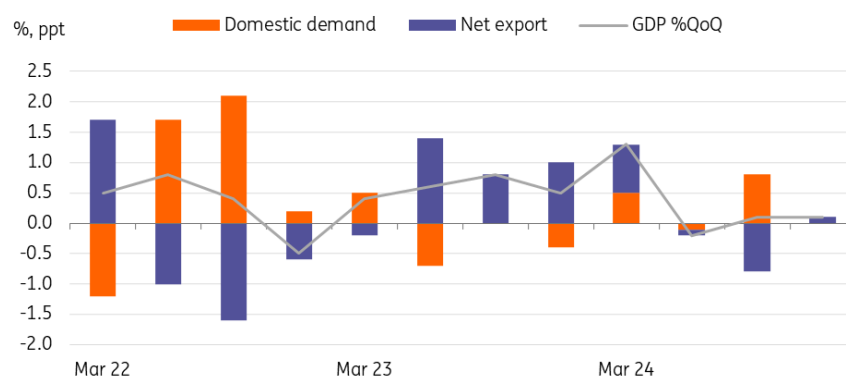
**0.1%** 4Q24 GDP  
%QoQ, sa

## Construction was the main drag on overall growth

By expenditure type, private and government spending contributed positively to the growth in the fourth quarter of 2024. Private consumption growth decelerated to 0.2% (vs 0.5% in 3Q24), probably due to a sharp decline in December, while government consumption grew 0.5% on the back of increasing healthcare insurance payments.

On the investment side, as expected, construction investment (-3.2%) contracted for the third consecutive quarter in 4Q24, which was one of the main reasons for the sluggish growth. Meanwhile, facility investment rose 1.6%, mainly due to strong semiconductor investment. On the external demand side, exports rebounded to 0.3% (vs -0.2% in 3Q24) with solid IT exports, but imports contracted 0.1% with falling car and crude oil imports.

## Net exports contributed positively on overall growth



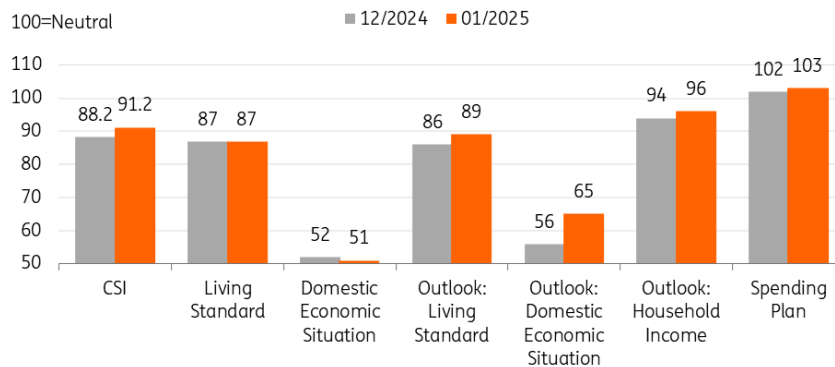
Source: CEIC

## Consumer sentiment didn't worsen in January

The Korean consumer sentiment index rebounded to 91.2 in January after a sharp decline in December. With the national mourning period ending in early January and the political situation not worsening significantly, consumers seemed somewhat relieved.

Of the six sub-components, the outlook indicators rebounded the most, suggesting that the economy may be bottoming out. However, the headline index remains well below its neutral level, thus the recovery is likely to be quite mediocre. There was no significant change in inflation expectations, which edged down to 2.8% from the previous month's 2.9%.

## Consumer sentiment recovered but only marginally so



Source: CEIC

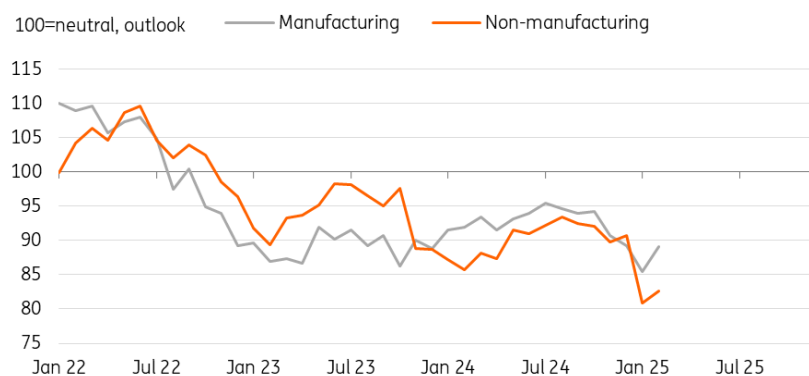
## Business confidence outlook recovered, driven mainly by the manufacturing sector

The Composite Business Sentiment Index for all industries in Korea decreased by 1.4 points from December, while the outlook improved by 2.5 points.

Confidence in the manufacturing sector recovered more strongly than in the non-manufacturing sector. Presumably, the non-manufacturing sector has been hit harder by the current domestic situation, so the recovery is likely to be rather limited.

On the other hand, manufacturing confidence has recovered to levels close to those before the declaration of martial law. Despite the possibility of rising trade tensions, production and new orders have improved. We should closely monitor how the weak KRW and the tariff issue will play out in the future, but for now, firms expressed an improved outlook compared to the previous month.

## The outlook of business survey rebounded in January



Source: CEIC

## Bank of Korea watch

Domestic growth remained weak in the fourth quarter of 2024 and the recovery is likely to be only

gradual in the current quarter, thus we expect the BoK to provide more policy support in the coming months.

Overall sentiment hasn't deteriorated further, but the recovery has been rather limited. Also, the recent KRW movement is more supportive of the BoK's expected cut in February.

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