

South Korea: Brief Profile

2025

Domestic Economy

- ❖ South Korea's real GDP is estimated to have grown by 2% in 2024, from 1.4% in 2023 driven by global demand for South Korea's electronics and semiconductors exports.
- ❖ In absolute terms, GDP was recorded at an estimated US\$ 1869.7 billion in 2024, with a per capita GDP of US\$ 36,129.
- ❖ Consumer price inflation moderated to 2.3% in 2024 from 3.6% in 2023 because of subdued consumer spending.
- ❖ The services sector dominated the economy, accounting for 63.0% of the nation's GDP in 2023; followed by industry (35.4%), and agriculture (1.5%) in the same year.

BASIC FACTS

Land area: 99,678 sq km

Population: 51.8 mn (2024, est.)

Language: Korean

Currency: Won (W)

GDP: US\$ 1.9 trn (2024, est.)

Exports: US\$ 683.9 bn (2024, est.)

Imports: US\$ 631.7 bn (2024, est.)

Sovereign Rating: AA (S&P's)

Trade and Current Account Balance

- ❖ South Korea's exports increased to an estimated US\$ 683.9 billion in 2024 from US\$ 632.3 billion in the previous year.
- ❖ South Korea's imports on the other hand decreased to an estimated US\$ 631.7 billion in 2024, from US\$ 642.9 billion in 2023.
- ❖ Major exports of South Korea in 2024 include electrical machinery & equipment (31.1% of total exports in 2024), vehicles other than railway or tramway (13.4%), machinery and mechanical appliances (11.8%), mineral fuels and oils (7.7%), and plastic and articles (5.3%).
- ❖ China was the most important export destination of South Korea accounting for 19.5% of total exports in 2024, followed by USA (18.8%), Vietnam (8.5%), Hong Kong (5.1%) and Taiwan (5%).

- ❖ The principal imports of South Korea during 2024 include mineral fuels, oils and products of their distillation (25.6% of total exports in 2023), electrical machinery & equipment (19.6%), machinery and mechanical appliances (10.4%), optical and medical apparatus (3.6%) and vehicles other than railway or tramway (3.1%).
- ❖ China was the primary source of South Korea's imports, accounting for 22.1% of South Korea's total imports in 2024, followed by USA (11.5%), Japan (7.6%), Saudi Arabia (5.0%), Taiwan (4.8%) and Austria (4.7%).
- ❖ South Korea's trade deficit of US\$ 10.6 billion in 2023 changed to a surplus of US\$ 52.2 billion as a result of higher growth in exports.
- ❖ The current account surplus widened to an estimated US\$ 99 billion in 2024 (5.3% of GDP) as compared to the previous year's surplus of US\$ 32.8 billion (1.8% of GDP).

Foreign Direct Investment, Foreign Exchange Reserves, and Exchange Rate

- ❖ According to UNCTAD's World Investment Report 2024, FDI inflows into South Korea decreased to US\$ 15.2 billion in 2023, compared to US\$ 25 billion recorded in the previous year.
- ❖ According to the same source, FDI outflow from South Korea decreased to US\$ 34.5 billion in 2023 from US\$ 65.8 billion in 2022.
- ❖ The currency of South Korea is Won (W). The won depreciated to W 1363.4: US\$ 1 in 2024 from W 1305.7: US\$ 1 in 2023.
- ❖ Foreign exchange reserves decreased to an estimated US\$ 415.6 billion in 2024, as compared to US\$ 420.1 billion in 2023. Reserves reflected an import cover over 7 months.

Country Ratings

- ❖ As per Standard & Poor's (S&P) Sovereign Ratings as on date, South Korea was rated AA (the obligor's capacity to meet its financial commitments on the obligation is very strong), with a 'stable' outlook.
- ❖ *Dun and Bradstreet's (DB) Country Risk Indicator*¹, March 2025, rates South Korea as DB3c (slight risk) with a "stable" outlook.
- ❖ According to *Organization for Economic Co-operation and Development (OECD)*² country risk classifications of January 2025, South Korea is not rated being a high-income OECD country.
- ❖ *Moody's Sovereign Ratings*³, as on date, rated South Korea as Aa2 (rated as high quality and are subject to very low credit risk.), with a "stable" outlook.

Macroeconomic Outlook

- ❖ South Korea is a major exporter of advanced memory chips. Sustained global demand for electronic goods, data-centre building and artificial intelligence development is likely to underpin export growth, despite rising global trade frictions.
- ❖ Real GDP growth is likely to moderate to 1% in 2025, from 2% in 2024. Production in early 2025 will be supported partially by the export sector. Private consumption growth may remain constrained by subdued business and consumer sentiment.
- ❖ The average inflation is likely to ease to 1.8% in 2025, from 2.3% in 2024. Despite continued nominal wage growth, consumer spending may remain lukewarm amid political uncertainty in the first half of 2025 and rising unemployment.

¹ The DB risk indicator is divided into seven bands (DB1 to DB7, in the increasing order of risk). Each band is further divided into quartiles (a-d, ranging low to high), except the DB7 band.

² The OECD Country Risk Classification measures country credit risk, i.e. the likelihood that a country will service its external debt, on a scale of 0 -7 (where 0 is the lowest risk category and 7 is the highest).

³ Moody's Investor services ranks countries in nine categories Aaa, Aa, A, Baa, Ba, B, Caa, Ca and C, according to increasing order of risk. Numerical modifiers 1, 2, and 3 are appended to each generic rating classification. The modifiers 1, 2 and 3, respectively indicate that the obligation ranks in the higher end, mid-range, and lower end of its generic rating category.

- ❖ The South Korean won is subject to intermittent depreciatory pressure vis-à-vis the US dollar in 2025. The strength of the US dollar is likely to ebb and flow throughout the year as weakening growth momentum in the US is likely to undermine demand for dollar-denominated assets, while the roll-out of US policies that involve higher tariffs on US imports and the widening fiscal deficit will lead to higher borrowing costs in the US. On average, the Won is expected to depreciate to W1442.6: US\$ 1 in 2025, from W 1363.4: US\$1 a year earlier.
- ❖ Merchandise exports are expected to continue to grow over the first quarter of 2025, underpinned by an expansion in global consumer demand for electronics, rising orders of memory chips and communication devices. However, exports may undergo some setback once higher US tariffs are effective. This remains subject to the exemptions offered to certain products in the electronics and semiconductor sector and may result in positive growth in exports.

South Korea: Economic Structure

Economic Indicators	2020	2021	2022	2023	2024 ^e	2025 ^f	2026 ^f
Nominal GDP (US\$ bn)	1744.5	1942.3	1799.4	1839.1	1869.7	1790.3	1851.8
Real GDP growth (%)	-0.7	4.6	2.7	1.4	2.0	1.0	1.4
Consumer price inflation (avg, %)	0.5	2.5	5.1	3.6	2.3	1.8	1.8
Population (mn)	51.8	51.8	51.7	51.7	51.8	51.7	51.6
Exports fob (US\$ bn)	512.4	644.1	684.4	632.3	683.9	652.4	671.7
Imports fob (US\$ bn)	467.6	615.1	731.5	642.9	631.7	631.1	645.3
Current-account balance (US\$ bn)	75.9	85.2	25.8	32.8	99.0	62.7	67.2
Total international reserve (US\$ bn)	443.1	463.1	423.2	420.1	415.6	421.8	428.8
Total external debt (US\$ bn)	503.9	567.9	606.9	604.8	579.4	550.9	521.9
Exchange rate (av; W: US \$)	1180.3	1144	1291.4	1305.7	1363.4	1442.6	1453.3

Note: * Sourced from EIU, ^e Estimate; ^f Forecast

Source: WEO, IMF (April 2025) & EIU Country Report.