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Executive Summary

Korea's growth outlook revised down further by 0.3%p, from 2.7% to 2.4%, and economic growth projection for 2016 is 2.6%

Korea's economy is forecast to remain at early 2% level in 2016, resulting from sluggish consumption with an aging society, growing household debt and worsened export conditions mainly attributable to China's slowing growth and its devaluation of yuan. The growth projection of private consumption and export (BOP basis) are 1.9% and 3.9%, respectively.

Consumer prices growth is projected to decline to 0.8% this year, edge up to 1.5% in 2016

Despite a stabilization of international oil prices with an expectation of modest appreciation of USD/KRW, consumer prices are expected to remain low as domestic aggregate demand shows continued sluggishness.

Current account surplus expected to reach a record US$105.4 billion this year, $102.2 billion in 2016; USD/KRW projected at 1,136 won for 2015, 1,158 won for 2016

Current account surplus is forecast to post a large growth through 2016 influenced by continuing recession-type surplus as the decline in imports outpaces the decline in exports. USD/KRW is expected to a gradual depreciation at a yearly average of 1,136 won in 2015, 1,158 won in 2016 due to the continued ascending pressure from strong-dollar and the devaluation of yuan.

Economic impact of China's slowdown economy is greater than that of the U.S. Fed's interest rate hike

The economic impact of the slowdown in China is estimated to be greater than that of the U.S. Federer Reserve Bank's interest hike. Since China is likely to devalue again, it is necessary to keep adequate JPY/KRW and CNY/KRW currency rates in order to prevent a further drop in exports owing to China's additional devaluation. The Chinese economy seems to enter a stage of a "new normal" so-called "Xin chang tai" as benefits from a population bonus reduce and investment driven growth policy strikes the limit. It is hereby unavoidable to prepare for the Chinese low price attack as a result of its industrial restructuring and to develop strategies for entering the Chinese market, especially service, infrastructure industries and final goods market.

Economic Trends and Outlook

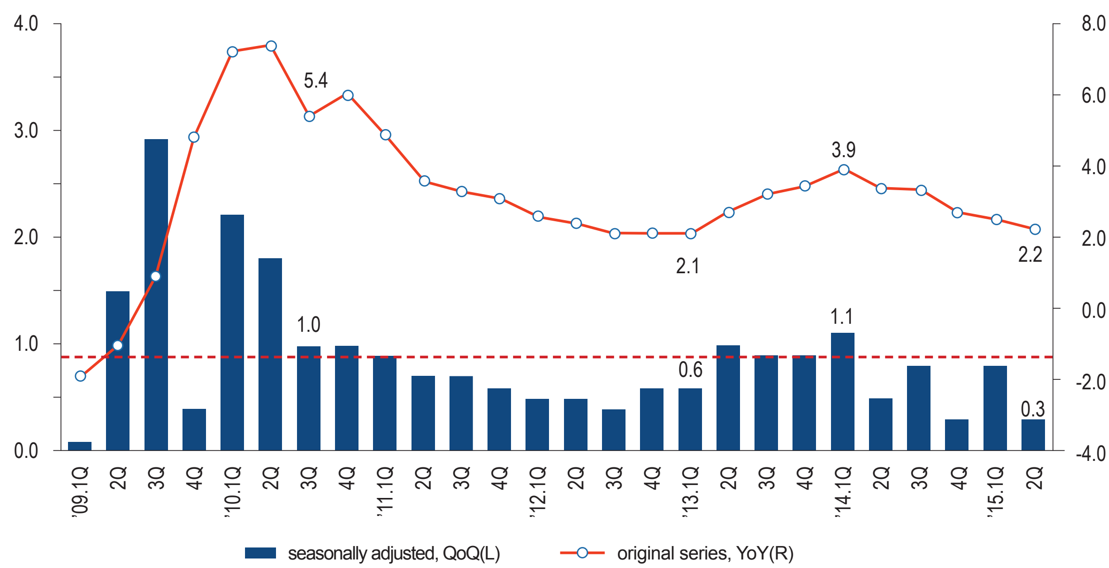
Recent Developments

Korea GDP growth marginally rise by 0.3% (QoQ), by 2.2% (YoY) in 2Q 2015

GDP growth declined compared to the last quarter which appears to be largely driven by that decreases in growths of private consumption and facility investment outpaced degree of an increase in import growth. In 2Q, the spending on semi-durable goods including entertainment, culture, clothing and shoes dropped due to MERS while the spending on durable goods did not fall. This implies that the decrease of consumption is non-trending. Yet, construction investment diminished resulting from decreases in residential and civil constructions. The quarterly growth and the growth over the same period in the last year both have been fallen for 5 consecutive quarters since 1Q 2014.

Real GDP Growth

(Unit: %)



Source: The Bank of Korea

Negative contribution from external demand (net export) to GDP has been expanding for 3 consecutive quarters while contribution from domestic demand (private consumption and construction investment) to GDP also decreased

Contribution from net exports to GDP has been falling for 3 consecutive quarters since 4Q 2015; -0.1%p in 4Q 2015, -0.2%p in 1Q 2015 and -0.3%p in 2Q 2015. Contribution from private consumption dropped to -0.1%p from 0.3%p in the previous quarter, and contribution from construction investment to GDP posted a large decline from 1.0%p to 0.2%p for the same period while there was no change in government spending contributed to GDP.

Contribution to GDP by expenditure

(Unit: %p)

(sa, real)	2013				2014				2015	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Final consumption expenditure	0.1	0.5	0.6	0.4	0.2	-0.1	0.7	0.3	0.3	0.0
Private	0.0	0.2	0.5	0.3	0.2	-0.2	0.4	0.2	0.3	-0.1
Government	0.2	0.3	0.1	0.1	0.0	0.1	0.3	0.0	0.0	0.1
Gross capital formation	0.8	0.0	0.7	1.3	-0.6	0.4	0.7	0.1	0.7	0.6
Gross fixed capital formation	1.2	0.8	0.2	-0.2	0.7	0.2	0.1	-0.8	1.1	0.2
Construction	0.8	0.7	-0.1	-0.7	0.8	0.1	0.1	-1.2	1.0	0.2
Facilities investment	0.2	0.1	0.3	0.4	-0.1	0.1	0.0	0.4	0.0	0.0
Intellectual property products	0.2	0.0	0.0	0.2	0.1	0.0	0.0	0.0	0.1	0.0
Changes in inventories and acquisition	-0.4	-0.8	0.5	1.5	-1.3	0.2	0.5	0.9	-0.5	0.4
Exports of goods and services	0.1	1.3	-0.4	0.7	0.7	0.7	-0.9	0.2	0.1	0.1
Imports of goods and services	0.4	0.8	0.0	1.5	-0.6	0.6	-0.3	0.3	0.3	0.4

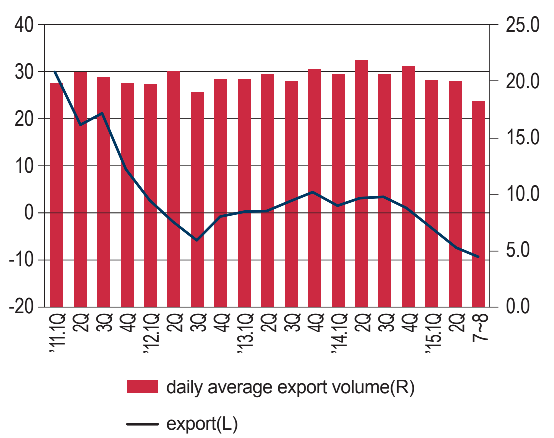
Source: The Bank of Korea

Exports growth (on a custom clearance basis) posts a large decrease to monthly average of -8.9 between July and August 2015, from -7.2% in 2Q 2015

The daily volume of exports decreased to a monthly average of US$1.83 billion between July and August 2015 from US$1.99 billion in 2Q 2015. By the region, exports to China, Japan, EU as well as the U.S. all turned down. Especially, export to China, taking 25% of the total exports of Korea, declined owing to dropping export volumes of petroleum products and wireless communication devices.

Export Growth and Daily Average Export Volume

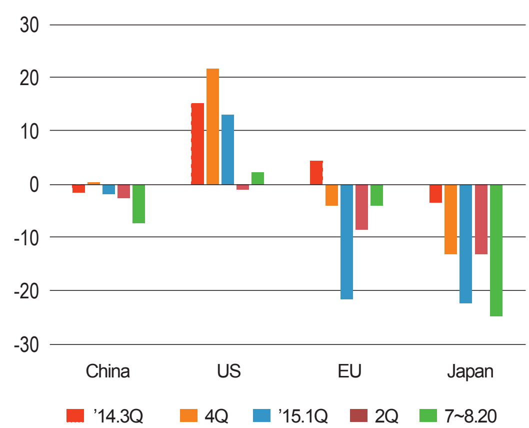
(Unit: left – oya%, right – US$100mil)



Source: MOTIE, Korea Customs Service

Export Growth by Destination

(Unit: oya%)



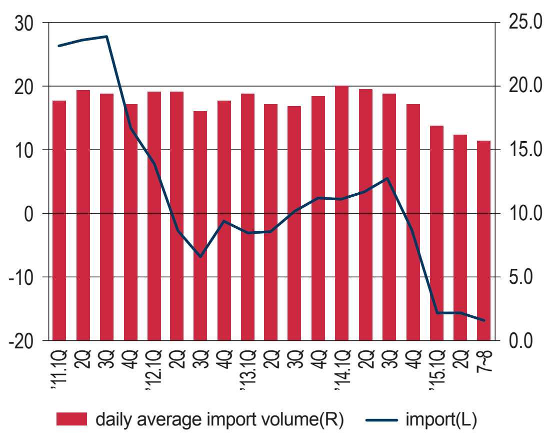
Source: Korea Customs Service

Imports growth (on a custom clearance basis) decreases further as it records a monthly average of -16.7% between July and August 2015 from -15.6% in 2Q 2015

The daily volume of imports between July and August 2015 reduced to US$1.57 billion, from US$1.62 billion in 2Q 2015. This appears to be largely driven by slashing raw material imports which constitutes largest share of total imports, following a continuing downturn in oil prices.

Import Growth and Daily Average Import Volume

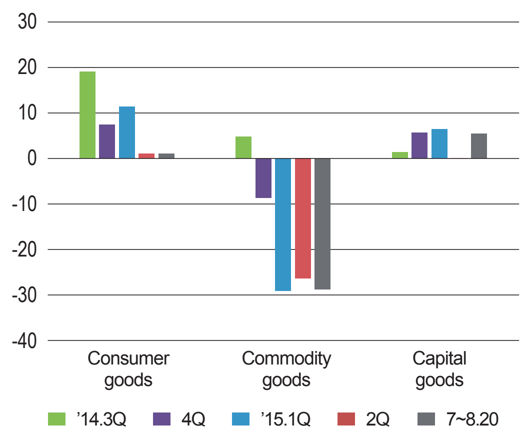
(Unit: left – oya%, right – US$100mil)



Source: MOTIE, Korea Customs Service

Import Growth by Use

(Unit: oya%)



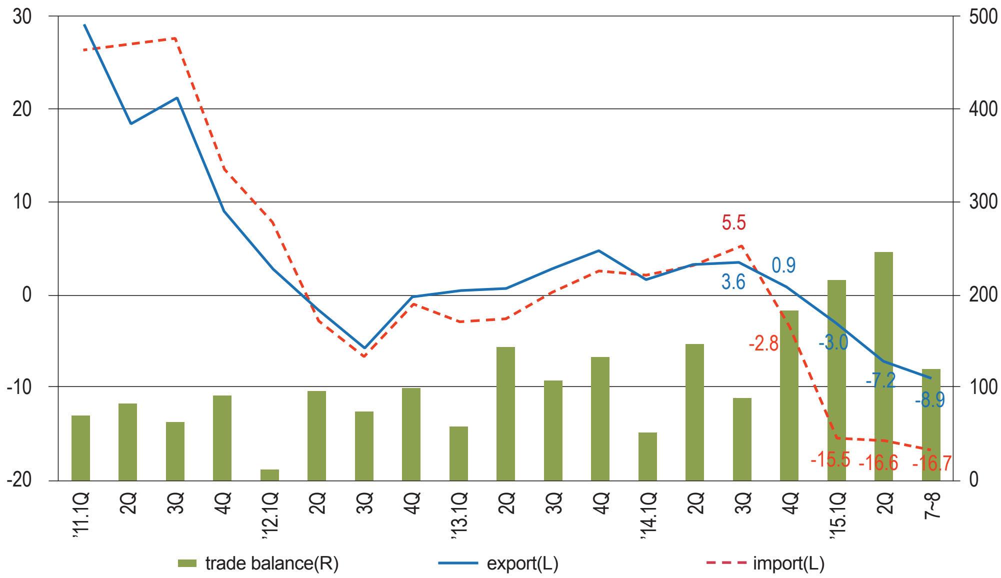
Source: Korea Customs Service

Korea's trade balance records a US$58.3 billion surplus between January and August 2015 (increased by US$ 32.8 billion, oya)

The declining magnitude of import growth led by the plummeting oil prices greatly outpaced that of export growth owed by weak import demand in China In fact, monthly average export between January and August 2015 was -6.1% while import growth marked way lower figure of -15.9% over the same period.

Trend of Export, Import and Trade Balance

(Unit: left – oya%, right – US$100mil)



Source: MOTIE

Korea's current account surplus archived US$62.4 billion between January and July 2015 (increased by US$15.1 billion, oya)

Korea's current account surplus increased by US$15.13 billion compared to the last year's current account surplus of US$47.3 over the same period. The surplus on balances of goods and primary income increased while the deficit on balances of secondary income and services declined. The monthly average current account was US$10.1 billion in July 2015, a modest increase from US$8.72 billion, monthly average between January and July 2015.

Trend of Current Account

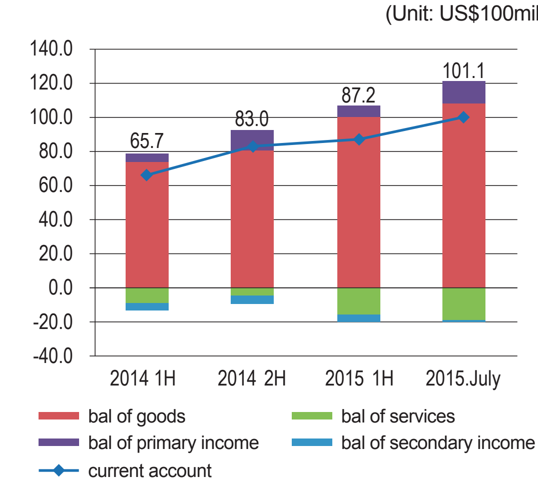
(Unit: US$100mil)

	2014			2015	
	1H	2H	July	1H	July
Current Account	394.3	498.0	78.8	523.2	101.1
Bal of Goods	441.8	485.2	67.9	601.2	108.6
Bal of Services	-53.4	-28.2	0.3	-94.4	-19.2
Bal of Primary Income	32.4	69.6	14.9	39.6	12.8
Bal of Secondary Income	-26.4	-28.6	-4.3	-23.3	-1.0

Source: The Bank of Korea

Trend of Average Current Account

(Unit: US$100mil)

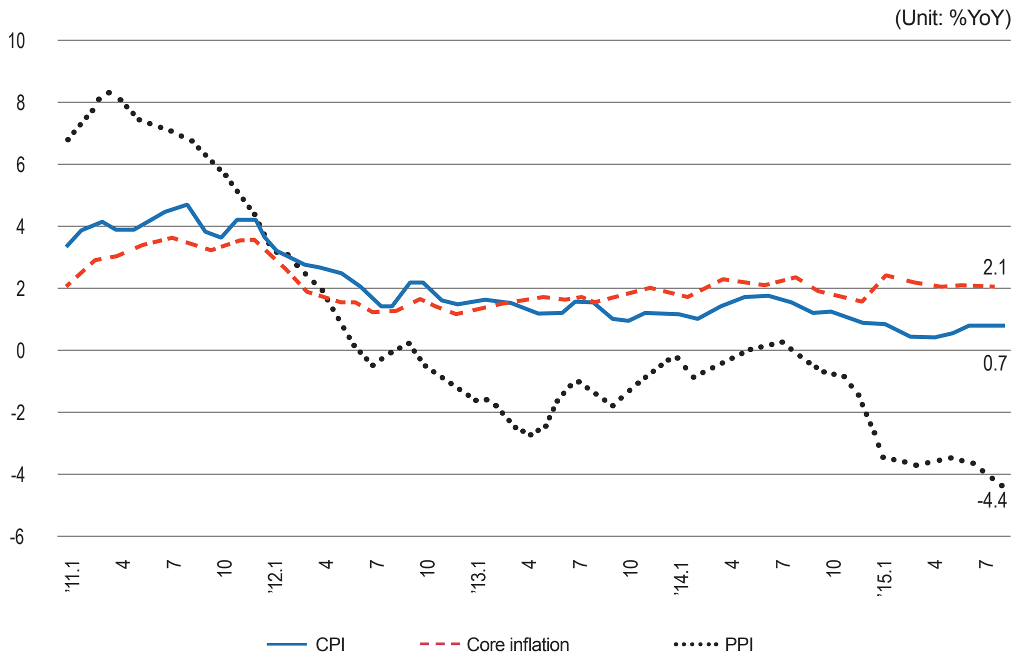


Source: The Bank of Korea

Consumer prices trimmed to 0.7% in August 2015; tumbling below 1% for 9 consecutive months

On demand side, the prices of international oil and the import prices of raw materials and consumer goods continue to decline which contributed to weak price gain. Korea's core inflation, excludes volatile oil and food prices was 2.1%, and inflation expectation stood at 2.5% in August 2015, showing no significant changes. Meanwhile, producer prices dropped to -4.4% in August which has fallen into negative territory since August 2014.

Trend of Prices



Source: Korea Customs Service, The Bank of Korea

The overall job growth continuously declined

The number of employed persons rose by 256,000 in May 2015 indicating a slowdown in quantitative expansion momentum compared to 533,000, the average number of employed persons in 2014. By age group, employed person in their 30s continued to drop, and growth rate of employed persons in their 50s also showed a downturn. By industry, the number of employed persons in whole sale & retail trade, hotels & others sector has been weakening; 147,000 in Q1 2015 → 130,000 in 2Q 2015 → 85,000 in July 2015 → 28,000 in August 2015. Meanwhile, unemployment rate was 3.4% in August continuing its downward trend which is not a result from an increase in the number of employed persons, but an increase in economically active population.

Employment-related Indicators

(Unit: thousand persons change over year ago, %)

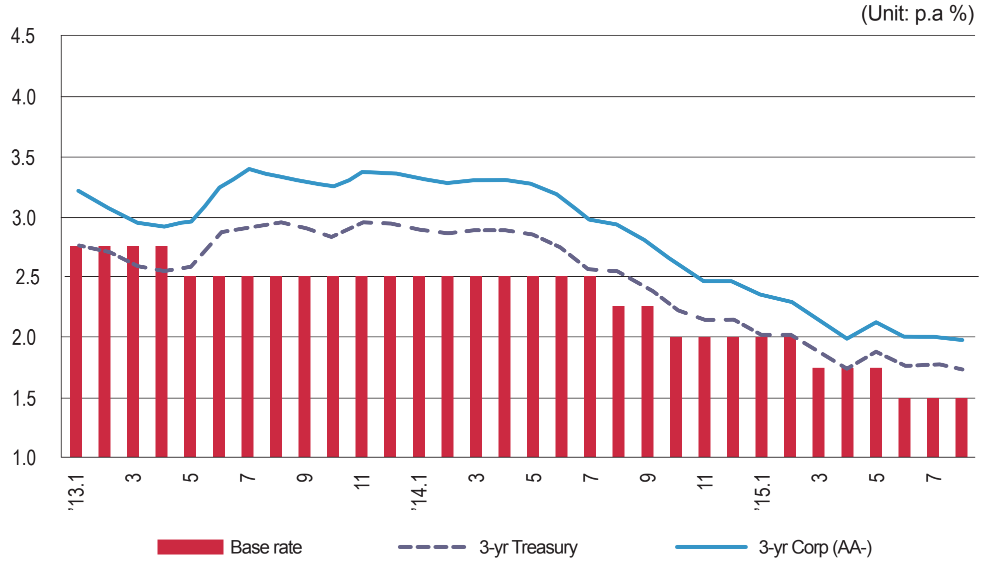
		2014		2015			
		Aug	4Q	1Q	2Q	July	Aug
Changes in number of employed persons		594	422	354	308	326	256
By Age	- 15 ~ 29	147	56	32	90	22	36
	- 30 ~ 39	-5	-29	-1	-56	-53	-60
	- 40 ~ 49	19	4	-47	-15	4	-17
	- 50 ~ 59	235	190	177	138	180	121
	- 60 year and older	199	201	192	150	173	177
By Industry	- Agri.,Forestry & Hunting	-125	-109	-87	-127	-91	-115
	- Manufacturing	219	129	139	147	170	156
	- Construction	64	72	72	44	25	10
	- Wholesale & retail trade, hotels & others	285	241	147	130	85	28
	- Business, personal, public service & others	245	134	113	120	119	110
	- Electricity, transport, communication & finance	-92	-39	-26	-4	18	65
Unemployment rate (%)		3.3	3.2	4.1	3.8	3.7	3.4

Source: Economically Active Population Survey (Statistics Korea)

Market interest rate stayed at the low level since BOK cut its benchmark base rate in June

In addition to reduced exports and imports growths, the slowdown of global trade volume, the devaluation of yuan and sluggish domestic demand dampened economic growth. Market interest rate remained relatively stable after BOK cut the benchmark base rate in June. 3-year corporate bond yield (AA-) slightly dropped from 2.01% in June to 1.93% at the end of September.

Interest rates

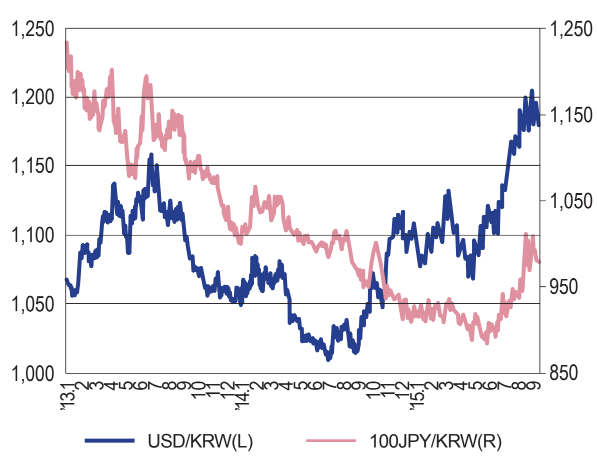


Source: The Bank of Korea

USD/KRW continues its upward trend as the U.S. Federal Reserve is widely forecast to raise the base rate, and China's devaluation of yuan

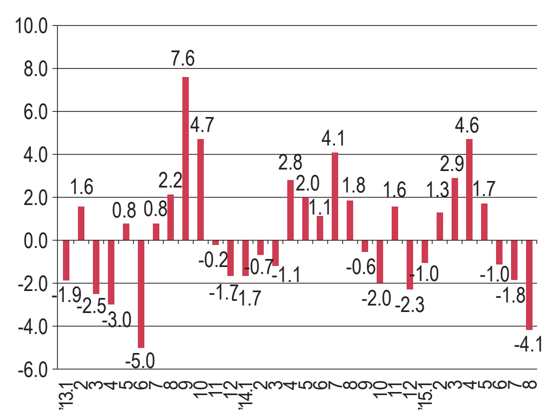
The modest recovery in the U.S. job market and private consumption and China's economic hard landing pushed up the US dollar and Japanese Yen. The net selling of foreign investors in Korean stock market expanded between June and August.

Exchange rate trend



Source: The Bank of Korea

Net Foreign Purchase of Korean Equities



Source: The Bank of Korea

Outlook for 2015 and 2016

1. External Environments

(World Economy) Growth for global economy is projected to move up marginally compared to 2014 as global trade volume diminishes and volatility in the global financial market increases due to China's slowing economic growth.

(United States) The economic growth is forecast to show a weak upsurge, mainly attributable to continuing recovery in the U.S. job market and relatively slower recovery in investment. Moreover, the U.S. Federal Reserve is close to raising its base rate at the end of year or within 2016 which also hampers the growth.

(China) Sluggish asset markets and domestic demand will keep the growth slow in 2016 and also result in reducing global trade volume and prices of raw materials and the outburst of increasing volatility in the global financial market.

(Eurozone) Despite of depreciating euro, low interest rate and falling oil prices, recovery in investment is very slow. The Eurozone is expected to demonstrate a trivial increase next year.

(Japan) Although Japanese economic indicators are quite unstable, improvement in job market and the weakening yen will push up the economy next year further.

(Oil Prices) The price of oil is expected to pose a marginal increase in 2016 as the U.S. interest rates raise and financial stability risks outbreak in China and emerging market economies.

(Decreasing factors) Factors putting downward pressure on the oil prices are expectation of declining in global trade volume and growing risks in financial markets due to China risk, sluggish growth of demand in major countries and weak recovery in speculative sentiment.

(Increasing factors) Factors pushing up the oil prices are reaching an agreement on cutting oil production between Russia and OPEC, an adjustment of crude oil inventory by the U.S., IS and geopolitical instability.

(Foreign Exchange rates) The US dollar is projected to remain strong through 2016 meanwhile Euro, Chinese Yuan and Japanese yen are expected to continue a downward trend.

(Euro) Although ECB's quantitative easing program continues, weak recovery in economic indicators in Europe, Greece's default, refugee crisis in Europe, other structural problems and unemployment problem continue to weaken Euro against the U.S. dollar.

(Japan) Since BOJ's quantitative easing program is expected to remain through next year, Japanese yen is forecast to show signs of weakening. Nevertheless, if China devalues its currency, Yuan, it will push up safe assets, Japanese yen.

(Yuan) Amid China's slowdown, resulting from sluggish domestic demand and minus growth of exports and imports, yuan is forecast to devalue further in order to boost the overall economy.

2. Outlook for Korean Economy in 2015 - 2016

Growth: 2.4% in 2015 (1H: 2.3%, 2H: 2.4%) → 2.6% in 2016

The growth rate for 2015 was revised down by 0.3%p, to 2.4% from 2.7%, estimated in June 2015, and by comparing to the last year, the projection of growth was down by 0.9%p. For the second half of 2015, the growth is expected to stay weak, largely influenced by changes in monetary and fiscal policies including cutting benchmark interest rate and revising supplementary budget along with weak exports and domestic demand. The growth rate for 2016 is projected to remain at 2%-level owing to external uncertainties including weak global economic recovery, China's slowdown economy and the U.S. Fed's interest hike and weak capacity of domestic economic policies. Above all, China's further devaluation of yuan can cause Korea's exports to China as well as to the third country markets drop. Since the Bank of Korea is unlikely to cut key interest rate next year, the projection growth of total expenditure for 2016 is 3%.

Private consumption: 1.6% in 2015 (1H: 1.6%, 2H: 1.7%) → 1.9% in 2016

For the second half of 2015, dampened private consumption is expected to continue as consumer sentiment remains on its downward trend and employment quantitative expansion growth slow down endures. In 2016, private consumption is forecast to show a modest rebound supported by housing recovery and rising real wages. Yet, structural problems including increased household debt burden and aging society will pull down the private consumption growth below the growth rate.

Facility investment: 5.1% in 2015 (1H: 5.4%, 2H: 4.9%) → 4.3% in 2016

In the second half of 2015, the growth rate of facility investment is forecast to show a slight decline compared to the first half of the year, mainly attributable to a remaining sluggish in exports as a result of increased domestic and external uncertainties over China. For 2016, the growth rate of facility investment is projected to slowdown compared to this year since investment conditions go downhill as a result of low investment demand as well as capacity of investment and the incremental cost of borrowing. Particularly, the capacity of investment gets worse for the reason that growth and profitability of listed companies in non-financial sectors non-financial continue to worsen since 2014.

Construction investment: 1.6% in 2015 (1H: 1.2%, 2H: 1.9%) → 1.7% in 2016

Construction investment is expected to show an annual growth of 1.6% in the second half of 2015 owing to recovering housing markets and the expansion of SOC budget.

Regarding the fact that it takes about 6 quarters to translate construction investment into construction order, the construction investment growth will gets higher though the end of 2015. For 2016, an annual growth of construction investment is expected to stay at similar level to 2015, attributable to a contraction of SOC budget for 2016 and an ascent of the benchmark interest rate meanwhile growth in construction orders by the private sector is forecast to show a gradual increasing trend.

Export growth (BOP basis): -9.7% in 2015 (1H: -10.6%, 2H: -8.8%) → 3.8% in 2016

For the second half of 2015, annual export growth is projected to show minus growth which led by a varied negative factors including slowing down growth rate, weakening yen and China risk. In 2016, export is export is expected to rebound owing to base effect and increasing USD/KRW exchange rate whereas projection growth of export unit price is 3%-level, mainly attributable to the U.S. key interest rate increase and China's further devaluation of yuan.

Import growth (BOP basis): -16.3% in 2015 (1H: -18.3%, 2H: -14.2%) → 5.5% in 2016

Annual import growth for the second half of 2015 is projected to continue its downward trend due to sluggish domestic demand and export and dropping oil prices. A degree of decrease in the annual import prices is projected to shrink as decline in the export unit prices slows down. Annual import growth for 2016 is expected at 5.5% which will outpace annual export growth, largely driven by rebound in export growth, stabilization of oil prices and base effect.

Current account surplus: $105.4 billion in 2015 (1H: $52.3 billion, 2H: $53.1 billion) → $102.2 billion in 2016

In the second half of 2015, the total current account surplus is projected at $53.1 billion (equivalent to the annual total current account surplus of $105.4 billion). A forecast of the total current account surplus for 2016 is $102.2 billion. A goods balance account is expected to show a modest decline as the import growth is projected to outperform the export growth. In contrast, the total service balance deficit is projected to increase as travel account deficit widens and surpluses from construction and transportation sectors decrease.

Consumer prices: 0.8% in 2015 (1H: 0.6%, 2H: 1.0%) → 1.5% in 2016

In the second half of 2015, regardless of the recent rise in the USD/KRW exchange rate, an annual growth rate of consumer prices is forecast to stay at the low level as sluggish domestic demand and a decline in cost of utilities services owing to falling cost prices. In 2016, a hike in cost utilities services, appreciation of Korean won against the US dollar with stabilization of oil prices and international raw material prices put upward pressure on prices. The growth rate of prices is projected to remain at early 1% level.

Corporate bond yield (3yr, AA-): 2.1% in 2015 (1H: 2.2%, 2H: 2.0%) → 2.4% in 2016

Market interest rates are expected to remain on its downward trend through the second half of 2015, mainly influenced by an expectation for further drop in the domestic benchmark interest rate though the U.S. Federal Reserve Bank is close to raise its interest rate. In 2016, market interest rates are forecast to show a modest rebound as the domestic benchmark interest rate will be unavoidable to surge owing to the U.S. Fed’s decision to raise the interest rates and widening real interest rate differential between the U.S. and Korea.

USD/KRW: 1,136won/dollar in 2015 (1H: 1,099won/dollar 2H: 1,172won/dollar) → 1,158won/dollar in 2016

In the second half of 2015, the U.S. dollar is expected to remain strong, and Korean won is expected to depreciate due to China's decision to devalue its currency and deepened economic slowdown. USD/KRW for 2016 is forecast to post a modest surge, largely driven by deprecation of Korean won which is fueled by China’s further devaluation expectation. A large current account surplus and relatively strong economic fundamentals would help restrain the rise in the KRW/USD exchange rate.

Outlook for Korean Economy in 2015 & 2016

(Unit: YoY(%), US$100mil(Balance of Payment))

	2014		2015		2014	2015	2016
	1st Half	2nd Half	1st Half	2nd Half	Year	Year	Year
GDP	3.7	3.0	2.3	2.4	3.3	2.4	2.6
(sa, QoQ%)							
Private Consumption	2.1	1.5	1.6	1.7	1.8	1.6	1.9
Construction Investment	1.8	0.4	1.2	1.9	1.0	1.6	1.7
Facilities Investment	7.5	4.2	5.4	4.9	5.8	5.1	4.3
Export(Goods & Services)	3.8	1.8	-0.3	0.1	2.8	-0.1	2.9
Import(Goods & Services)	3.1	1.2	1.7	1.2	2.1	1.4	2.3
Consumer Price	1.3	1.2	0.6	1.0	1.3	0.8	1.5
Producer Price	-0.3	-0.8	-3.6	-2.2	-0.5	-2.9	0.7
Current Account Bal	394.3	497.9	523.2	530.9	892.2	1054.1	1022.2
Bal of Goods	441.7	485.1	601.2	584.2	926.9	1185.3	1155.5
Export(BOP basis)	3120.7	3092.3	2789.2	2820.2	6213.0	5609.4	5821.5
(growth rate, %)	3.4	-2.2	-10.6	-8.8	0.5	-9.7	3.8
Import(BOP basis)	2679.0	2607.1	2188.0	2236.0	5286.1	4424.0	4666.0
(growth rate, %)	0.3	-2.9	-18.3	-14.2	-1.3	-16.3	5.5
Service and other balances*	-47.5	12.8	-83.9	-53.3	-34.7	-137.1	-133.3
FX rate(USK/KRS, avg)	1049.7	1056.3	1099.1	1172.0	1053.0	1135.5	1157.5
Corp bond yield(3yrs, AA-)	3.3	2.7	2.2	2.0	3.0	2.1	2.4
Unemployment rate (%)	3.9	3.3	4.0	3.5	3.6	3.7	3.8
Changes in number of employed persons	597	469	331	271	533	301	247

*Sum of service balance, primary balance, and secondary balance

Policy Issue:

An economic checkup of Chinese economy in the wake of Yuan devaluation

Additional Yuan devaluation possible as PBoC depreciated China's Yuan by 4.6% on last August due to sluggish economic growth, dampening of export growth, and weak equity market recovery

People's bank of China dramatically depreciated China's Yuan from 11th of August to 13th three days in a row with the total amount of 4.6%. Recently China has been undergoing growth downshift, rapid slid of export growth, and poor equity market performance.

More important thing is that this policy action may persist due to several reasons. First, Chinese Yuan has been kept stronger that other major currencies. The REER of Chinese currency on late July was 32.1% stronger than that of 2010; while Korean won was 10.6% stronger, Euro and Japanese Yen was weaker by 11.4% and 30.9% respectively. Surely yet China has buffer to revert this strong Yuan drift. Second, intended growth adjustment is pulling down the total Chinese economy lower – than – expected and one shot Yuan devaluation would not help the huge boat to come back to the high growth trajectory. Moreover, the reduction of Chinese FX reserve may push Chinese financial authority to conduct additional Yuan devaluation. When Yuan depreciated, the capital flight from China would accelerate. In order to defense this, usually PBoC uses its stacked FX reserve to maintain optimal range of foreign exchange rate. However, China lost its foreign reserve quite already and as Chinese export contracted due to lowered world trade volume, it would be hard not to perform additional Yuan depreciation. Wrapping it all up, Korea would need to prepare for the additional Chinese Renminbi depreciation.

Chinese economy seems to enter the 'xin chang tai(新常态)' or 'new normal' state as benefits of population bonus reduces and investment driven growth policy strikes the limit

The necessity of rectifying growth paradigm is climbing due to current sluggish Chinese economic status even after the implementation of several policy mixes. In reality, Chinese manufacturing is weak along with the poor price level and investment. The August manufacturing PMI fall short of latest 50 which is worrisome as the figure supports possible manufacturing shock. August consumer price inflation has grown only 2.0%, while producer price inflation contracted by 5.9% which is a 42 months consecutive slid. The industrial production growth recorded 6.1% in August which is only the half of 2010 average of 13%. Also the fixed investment growth showed 10.9% which is the historical low within 15 years. Fixed investment growth usually indicates the construction atmosphere.

To analyze the economy more in depth, the Chinese economy is thought to pass the growth inflection point with its formal high – growth engines burned out and enter 'xin chang tai' or 'new normal' state. Several growth engines are now unsustainable or have disclosed limitations: the instability of export oriented growth expanded, the benefit of population bonus reduced, the imitation depended growth reveals limit, and negative influence of unbalanced income distribution widened. Especially, the population is thought to climb down consistently from current 73% to 53% on 2060, according to the UN population forecast. Moreover, the investment driven growth strategy no longer is powerful. The Chinese portion of investment to GDP is 47.8%, which is quite excessive than the other major countries (India 31.5%, Korea 28.8%, Japan 21.8%, US 19.8%). Overall, the former growth paradigm is unsustainable.

Korean won 'strong alone' must be prevented by considering both optimal JPY/KRW and CNY/KRW

Korean won must be smoothly adjusted considering both optimal JPY/KRW and CNY/KRW. If Japanese Yen and Chinese Yuan depreciate simultaneously, Korean won may solely strengthen. To prevent this circumstance, the financial authority must keep keen eye on both currencies. Also, domestic and international investment should be boosted while financial diplomacy helps and growth potential expands.

The side effects of Chinese industrial restructuring should be prepared in advance

Certain Korean industry may suffer due to the Chinese low price attack. Especially, Chinese steel and chemistry industry would perform more offensive low price strategy as China possesses excessive production capability. Moreover, the countermeasures for lingering JPY and CNY depreciation must be carried. The level of Korea - ASEAN FTA should be enhanced and export support strategy should be considered.

Entering strategy to service industry, final goods market and infrastructure industry must be considered while China undergoes industrial restructuring

China may try to expand the domestic market by boosting service industry and final goods market. Currently Chinese employee on manufacturing industry has reduced while that of service industry remarkably enhanced. Indeed, industrial focus moving away from manufacturing already started in China. Against this backdrop, Korea should prepare to enter Chinese service industry. We suggest transportation, communication, tourism and medical, healthcare, silver industry, education, and K-culture departments. Moreover, the entering of final goods and infrastructure market is critical while proportion of export for improving seems to dampen. The portion of final goods over total export to China has climbed down from 6.7% in 2008 to 5.5% in 2014. We suggest that Korea enter distribution industry connecting Asia and Europe equipped with IT technology. As Chinese 'one belt, one road' strategy propelled to stretch further helped by the embarkation of AIIB, several opportunities to invest in infrastructure such as road, airport seems to occur.

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