



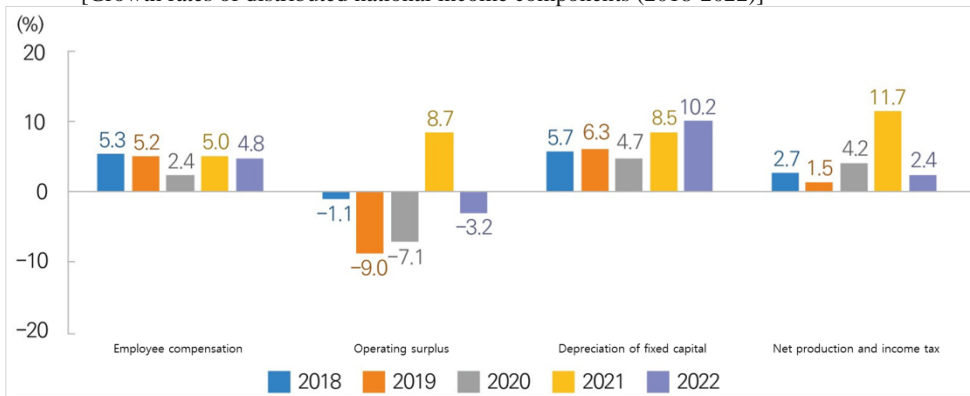
I. Trends

1. Distributed National Income

- **During the past 5-year period (2018-2022), labor income grew at an average annual rate of 4.5%**
 - Labor income rose from KRW 868.1 trillion in 2018 to KRW 1,029.7 trillion in 2022, surpassing the KRW-1000-trillion mark and achieving an average annual growth rate of 4.5% over the past five years.
 - It displayed a higher growth rate than nominal GDP (3.3% on average for the past five years), with its contribution to GDP rising from 45.7% in 2018 to 47.6% in 2022.
- **During the past 5-year period (2018-2022), the operating surplus decreased each year except in 2021**
 - South Korea's operating surplus fell by 2.6% on average each year due to the declining operating surplus of companies, the declining number of self-employed individuals, and the effects of the COVID-19 pandemic. By 2022, it was 12.1% lower than in 2017.
 - Its contribution to nominal GDP fell by a margin of 6.8%p from the 26.9% recorded in 2017 to 20.1% in 2022.
- **Consumption of fixed capital increased by a large margin during the past two years (2021~2022)**
 - During the previous five-year period (2018-2022), consumption of fixed capital increased by an average annual rate of 7.1%.
 - Due to the impact of increasing prices of capital goods including commodities, the consumption of fixed capital showed an increase of 8.5% and 10.2% in 2021 and 2022, respectively.
- **For the past five years (2018-2022) net production and import tax have been rising consistently**
 - **During the past five-year period (2018-2022), net production and import tax increased by an average annual rate of 4.4%, rising from KRW 181.8 trillion to KRW 219.7 trillion.**
 - As the share of gross domestic income distributed to the government increased, the contribution of net production and import tax to nominal GDP rose to 10.3% in 2021, before showing a slight decline in 2022.

Executive Summary

[Growth rates of distributed national income components (2018-2022)]



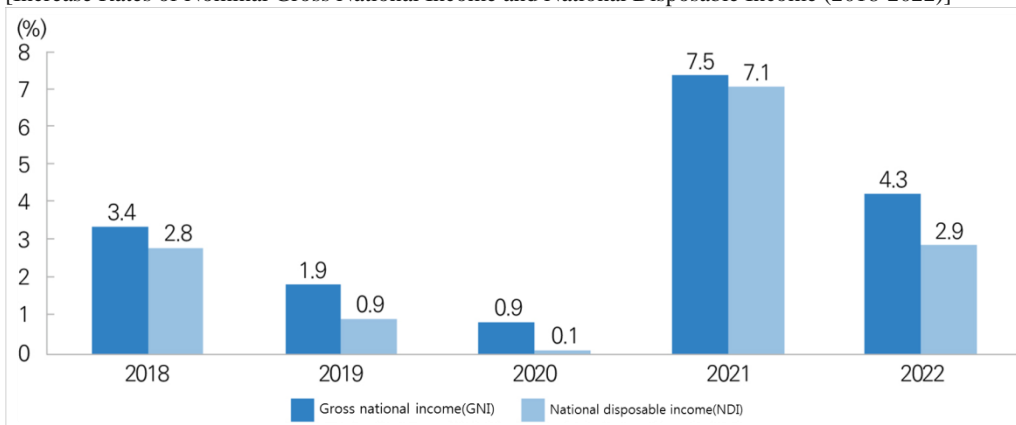
Source: Bank of Korea.

2. Gross National Income

□ During the past five years, nominal gross national income (GNI) has risen faster than the gross domestic income by a margin of 0.2%p

- Due to the rapid increase in net factor income from abroad, the gross national income (GNI) over the past five years has shown a growth rate that is 0.2%p higher than the 3.3% increase in gross domestic income.
- National Disposable Income (NDI) is income that can be disposed of freely, either through consumption or savings. During the previous five-year period, the NDI grew at a rate of 2.7%, 0.8%p lower than the gross national income.

[Increase Rates of Nominal Gross National Income and National Disposable Income (2018-2022)]

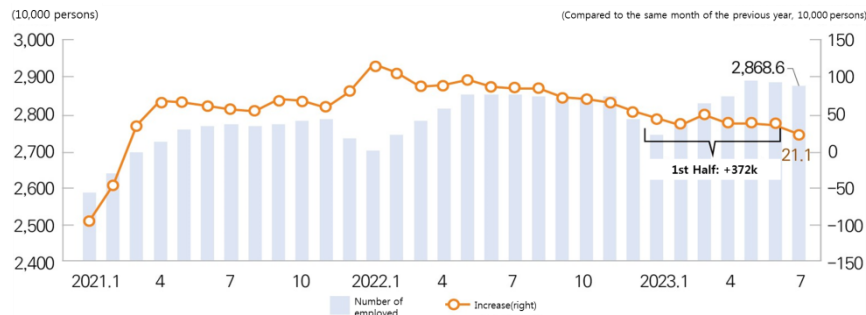


Source: Bank of Korea.

3. Employment

□ In the first half of 2023, employment showed a healthier growth trend than in the previous year

- The number of employed persons increased by more than 300,000 while the unemployment rate fell by a large margin, indicating that the employment situation is relatively good.
- However, the growth of employment gradually slowed to such an extent that by July 2023 the number of employed persons recorded the smallest margin of increase in 29 months.



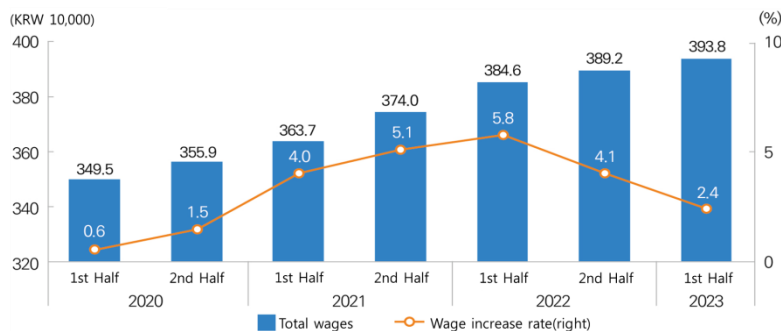
[Increase in the number of employed]

Source: KOSTAT.

□ In the first half of 2023, nominal wages increased by 2.4%, showing a lower increase rate than the inflation rate

- A modest increase in nominal wages was recorded due to a reduction in the amount special bonuses paid to salaried employees and the shortened working hours of temporary workers.
- Real wages can be seen to have declined when taking the inflation rate (4.0%) reported in the first half of 2023 into consideration.

[Changes in the Wage Increase Rate]

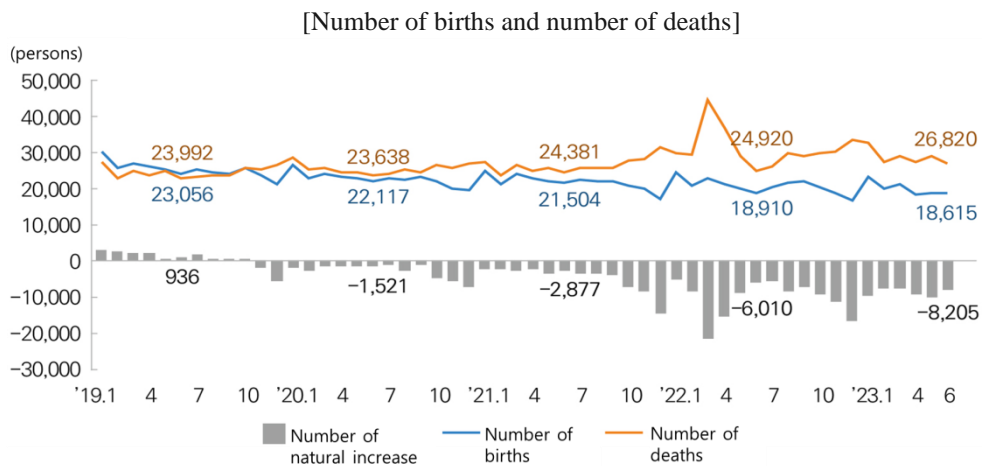


Source: Ministry of Employment and Labor.

4. Population

□ Due to the disastrously low birth rate and the population aging phenomenon, South Korea's population decline appears to be set on a continuing trend

- Due to the sustained phenomenon of low birth rates, South Korea's population continued to decline for forty-four months in a row, with the number of births dipping below the number of deaths
 - Since the first quarter of 2016, the total birth rate has continued to fall, and the total birth rate in the second quarter of 2023 was 0.70 persons, the lowest level ever in the country's history.

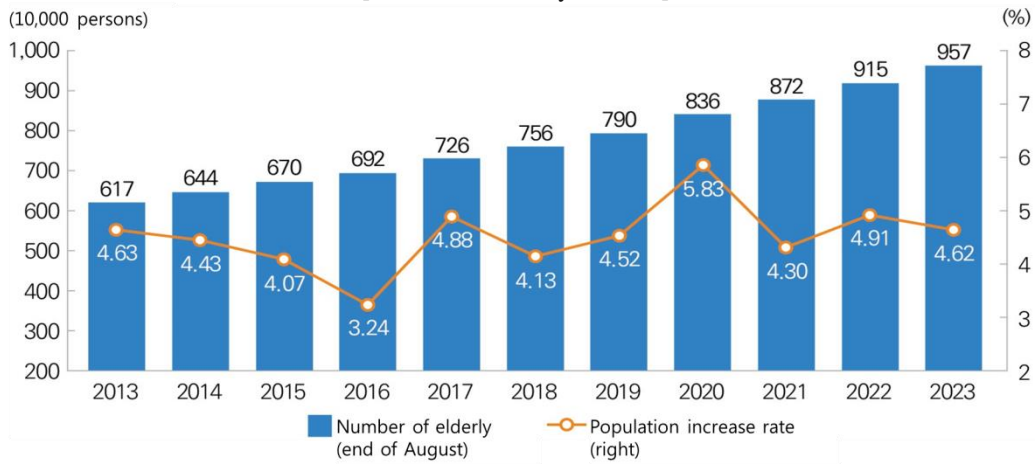


Source: KOSTAT.

- Due to the continuous growth of the elderly population, elderly persons account for an increasingly large percentage of the population.
 - The population of people over the age of 65 has been increasing at an average annual rate of 4.8% for the past five years (2019-2023), raising the percentage share of the elderly. Meanwhile, the population of children aged under 15 has been decreasing at an average annual rate of 3.0% for the past five years(2019-2023).



[Number of Elderly Persons]



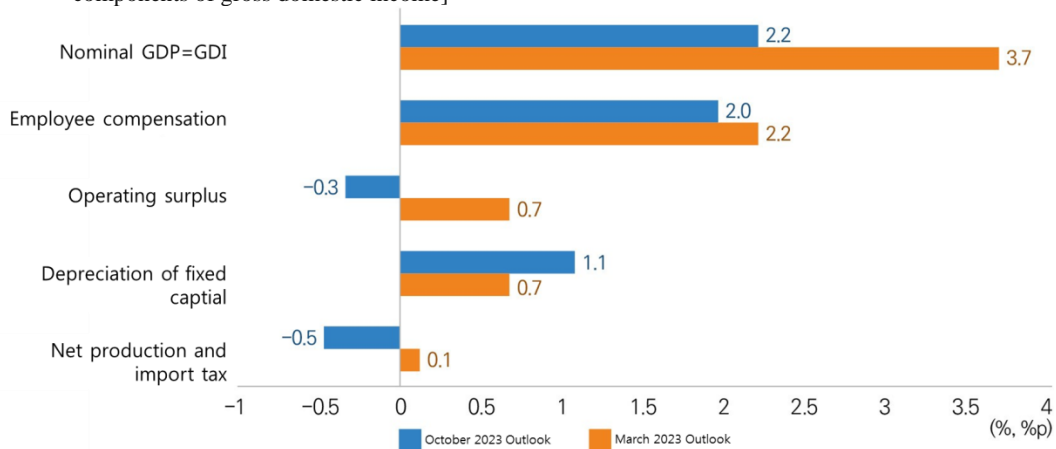
Note: Based on the number of people aged 65 or older who are registered residents, as of the end of August of each year.
Source: KOSTAT.

II. The Outlook for 2024 and the Medium Term

□ Downward adjustments of the contributions to economic growth provided by the three components of gross domestic income in 2023

- It was anticipated that the projected growth rate for the nominal GDP would be adjusted downwards, and a contraction in exports and production activities was expected. Consequently, the rate of increase of labor income (-0.4%p), operating surplus (-5.1%p), and net production and import tax (-5.9%p) had to be adjusted downwards.
- The growth rate projection for the consumption of fixed capital was adjusted upwards to 1.7%p due to the revised projection method and the upwardly adjusted gross fixed capital formation deflator.

[2023 projection of gross domestic income and comparisons of the contributions of the individual components of gross domestic income]



□ The growth projection for the number of employed persons in 2024 was adjusted upwards from the previous projection

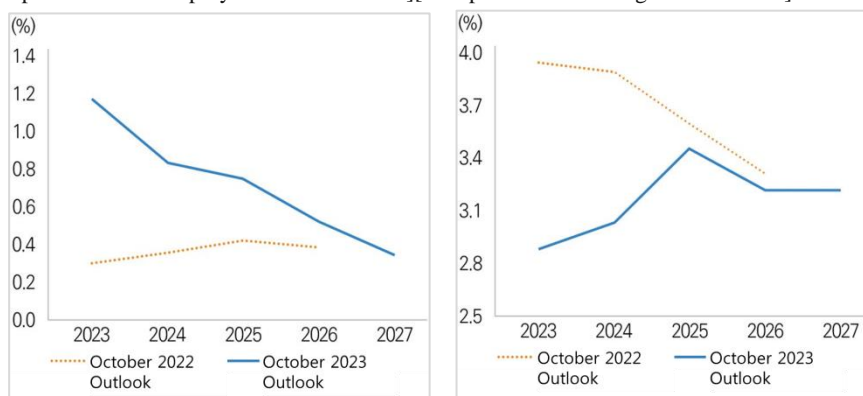
- In 2024, the number of employed persons is projected to increase by 237,000 (0.8%), which represents an upward adjustment of 134,000 (0.4%p) from the previous projection (103,000, 0.4%).
 - The upward adjustment in the number of employed was made to reflect the increased demand for workers in the elderly care service industry and the government's expansion of jobs for the elderly.
 - Another reason is that after the recent employment boom, the return to a long-term balance between GDP and the number of employed is progressing rather slowly.
- Over the medium term, the number of employed will show a higher growth rate than that predicted in the previous projection; however, due to external factors that dampened the growth of employment and changed the GDP growth rate, the number of employed was estimated to be at a similar level to the previous projection.



❑ **The projection for the wage increases rate in 2024 must be adjusted downward from the previous projection**

- In 2024, the wages of workers are projected to increase by 3.0%, which will make it necessary to adjust the projection for the wage increase rate downwards by 0.9%p from the previous projection of 3.9%.
- Due to a higher increase in employment than expected, it appears that labor productivity per an employee will decrease compared to previous projections, reflecting the composition effect stemming from the rise in low-wage employees.
- Even after 2024, the wage increases rates recorded are predicted to be lower than the previous projection.

[Comparison of the employment increase rate][Comparison of the wage increase rate]



Source: National Assembly Budget Office.

❑ **In 2024, labor income is projected to increase by 3.7%, indicating a slowdown in growth compared to the previous year**

- In 2024, labor income is projected to increase by 3.7%, dropping below the nominal GDP growth rate, and its contribution to GDP will fall by 0.3%p.
- During the current five-year period (2023-2027), labor income is projected to increase at an average annual rate of 4.3%, a slower rate than that recorded during the previous five years.

❑ **In 2024, the operating surplus will rebound from the decreasing trend that lasted until the previous year and start rising**

- As a result of the increasing GDP growth rate, propelled by economic recovery, the operating surplus in 2024 will increase by 3.5%, 5.1%p higher than the increase rate in the previous year (when the operating surplus was predicted to fall by 1.6%).
- During the period 2024-2027, the operating surplus will increase at an average annual rate of 4.4%, almost approaching the nominal GDP increase rate (average annual increase rate of 4.6%) for the same period.

Executive Summary

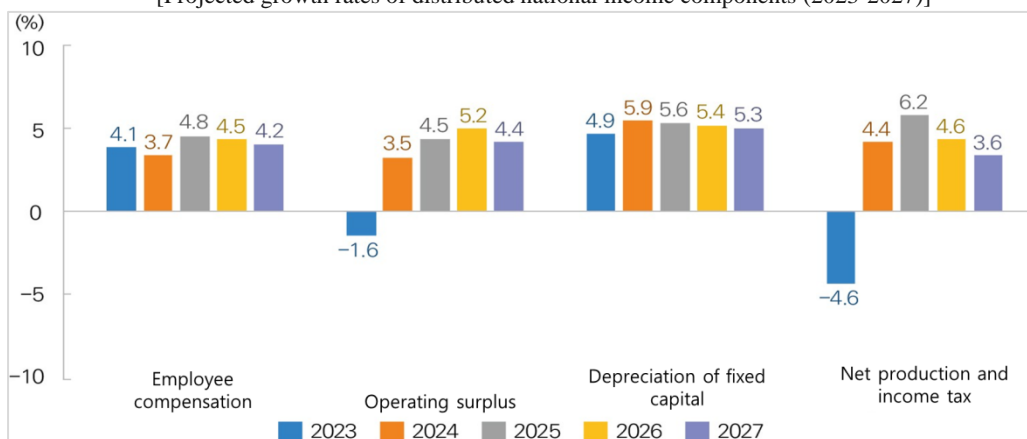
□ In 2024, the consumption of fixed capital is predicted to continue its upward trend

- In 2024, the consumption of fixed capital is projected to grow by 5.9%, 1.0%p higher than in the previous year (when a 4.9% increase was predicted).
- During the period 2018-2022, the consumption of fixed capital rose at an average annual rate of 7.1%. On the back of stabilized capital good prices, the consumption of fixed capital is predicted to grow at an average annual rate of 5.4% during the years 2023-2027.

□ After falling by 4.6% in 2023, net production and import tax will rebound in 2024

- In 2023, due to shrinking foreign trade, net production and import tax are predicted to decrease by substantial margins. However, from 2024 onwards, net production and import tax will rebound as the economic growth rate recovers and the global trade volume increases.

[Projected growth rates of distributed national income components (2023-2027)]



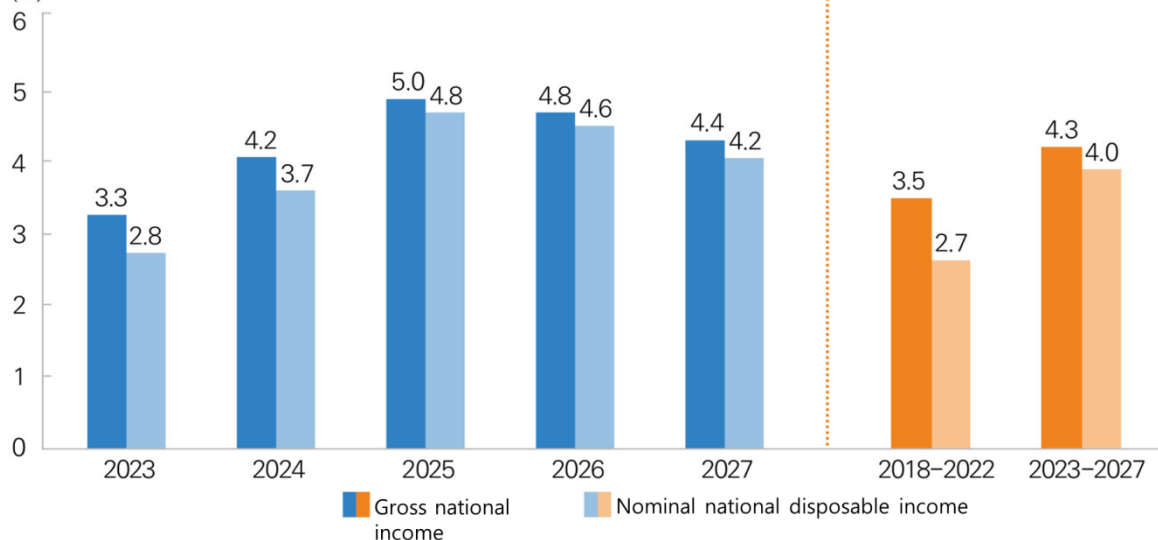
Source: National Assembly Budget Office.

□ Nominal gross national income is anticipated to grow steadily, thanks to increasing overseas capital income

- Over the next five years (2023~2027), the gross national income will grow at an average annual rate of 4.3%.
- The growth rate of the national disposal income is predicted to trail that of the gross national income by an average of 0.3%p each year.



[Medium-term Projection of Nominal Gross National Income (GNI) and National Disposable Income(NDI)]
(%)



Source: National Assembly Budget Office, Bank of Korea.

□ **In 2024, the number of employed persons is expected to increase by 237,000 (0.8%), while the growth momentum in the number of employed is predicted to slow continuously**

- Based on the projection that the number of employed will increase by 329,000 (1.2%) individuals in 2023, the increase margin in 2024 will shrink by 102,000 (0.4%p) from the previous year's level.
- The number of employed persons is projected to increase over the next five years at an average annual rate of 207,000 (0.7%). However, compared to the previous five-year period (2018-2022, 273,000 newly employed persons per year on average), the margin of increase will diminish.
- After recording an annual increase rate of 329,000 newly employed persons in 2023, the increase rate will slow down continuously, falling to around 100,000 by 2026.

□ **The unemployment rate is projected to reach 3.0% in 2024, and to follow a rising trend in the future**

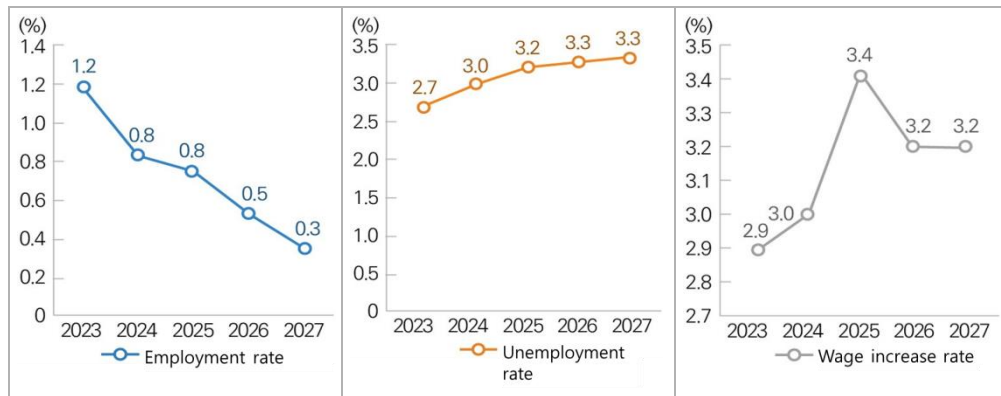
- Based on the projection that the unemployment rate in 2023 will be 2.7%, the unemployment rate in 2024 will be 0.3%p higher than the previous year.
- The average annual unemployment rate will hover around 3.1% during the period 2023-2027, about 0.5%p below the figure during the previous five-year period (3.6%, 2018-2022).
- However, after hitting a low point of 2.7% in 2023, the unemployment rate is predicted to rise steadily from now on.

Executive Summary

❑ Workers' wages are expected to increase by 3.0% in 2024

- The wage increase rate was projected to reach 2.9% in 2023, while the rate in 2024 will be 0.1%p higher than the previous year.
- During the period 2023-2027, wages will increase at an average annual rate of 3.1%, which is 0.7%p below that recorded over the previous five-year period (3.8% on average, 2018-2022).

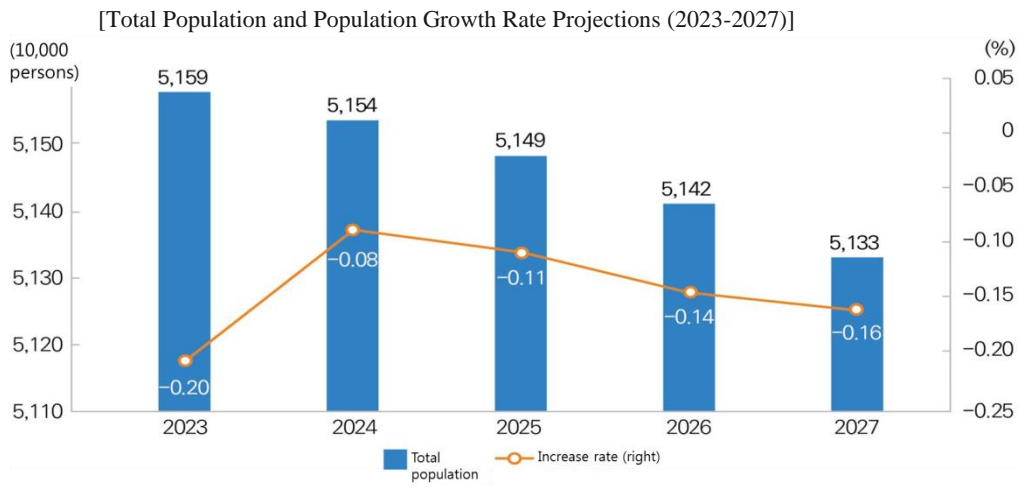
[Predicted Changes in Employment Related Statistics (2023-2027)]



Source: National Assembly Budget Office

❑ During the period 2023-2027, the population will decline continuously due to falling birth rates

- South Korea's continuously falling birth rate will have the effect of reducing the total population by 0.14% each year on average during the years 2023-2027.
 - The total birth rate is predicted to decrease from 0.78 in 2022 to 0.69 in 2027, while the increasing size of the elderly population will result in a rising number of deaths, leading to a natural population decline.
- Upward factors will include policy initiatives such as parental benefits to encourage people to have babies, and a net inflow of people through immigration.
- Downward factors will include persistently low birth rates, a decline in the expected number of children, and increasing mortality rates owing to population aging.



Source: National Assembly Budget Office.