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Biweekly Narrative Seafood Report (No:12-2001):Korea

Prepared by Alaska State Trade Representative for Korea
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1. Korean Economy Update

Review on 2Q GDP (August 21): 'Tale of Two Sectors' Now Confirmed

- **2Q GDP growth was lower than we expected, mainly due to a severe downfall in exports. But we should stress that Korea's economic growth looks a lot stronger than some of its peers, namely Singapore and Taiwan.**
- **'A tale of two sectors' is now well demonstrated as we can see a clear contrast between consumption and export/service and manufacturing sectors.**
- **Lower-than-expected 2Q GDP would again put our GDP forecast under review. But we still expect generally higher GDP growth in 2H, based on the assumptions of continued domestic demand strength and stabilization of export growth, if not recovery.**
- **Strength in domestic demand seems to prove the effectiveness of the government's stimulus policy. As the global economic outlook turns bearish, we expect further policy expansion to preserve growth.**

Overview: Lower than Expected, but Stronger than Regional Peers

2Q GDP growth again fell short of our expectation: the actual GDP growth was 2.7%, while our forecast was 3.2%. Though we did watch a rebound of private consumption, which was actually much stronger than we expected, a severe downfall in exports cut the overall GDP growth. Contrast between resilient service sector and sluggish manufacturing sector was also well demonstrated.

In summary, 2Q GDP finally provided much-awaited confirmation on our base scenario for Korean economy, 'a tale of two sectors' between consumption and export/service and manufacturing sectors. We don't think that 2Q GDP was bad news for the Korean economy in general. It is good to watch that the Korean economy has successfully maintained

positive growth with resilient consumption/domestic demand under the current hostile external environments. As BOK itself pointed out, Korea's GDP growth in 2Q looks a lot stronger than some of its peers, NIE's, namely Singapore (-0.9%) and Taiwan (-2.4%). At least we can safely expect positive GDP growth in Korea this year, while we now forecast negative growth in those two countries.

(*Source: The Bank of Korea, Citigroup estimates)*

2. Red Tide Kills Farmed Fish in Korea

A fisherman collects dead perch that were killed by the red tide in Tongyong, South Kyongsang Province on Wednesday. The toxin-laden red tide has been spreading rapidly on Korea's southern coast.

(Source: August 29, 2001, the Korea Times, Seoul, Korea)

3. Korea's Wholesale Fisheries Market Update

a) Noryangjin Wholesale Fisheries Market (August 22 - 28, 2001)

- Fresh squid from the local East Sea and Yellow Sea played a leading role in market buying.

- Fresh Squid:

  Supply Volume – 48,000 ~ 60,000 kg per day

  Price - W 7,000 per 6-kg- box for medium, W 2,000 per box down from the previous week

- Fresh Hair Tail:

  Supply Volume - 12,000 kg per day

  Price - W 23,000 per 4-kg box for small and W 70,000 per 4-kg-box for large.

- Farmed Shrimp from Local Yellow Sea:

  Supply Volume - 6,000 ~ 7,000 kg per day

  Price - W 8,000 per kg

- Live small halibut (wild) for sashimi:

  Price - W 36,000 per kg for medium (The price remained stable or slightly less than the previous week)

- Live small halibut (farmed) for sashimi:

  Price - W 9,600 per kg for medium (The price remained stable or slightly less than in the previous week)

b) Garak-Dong Wholesale Fisheries Market (August 21 – 27, 2001)

The prices for most species except for some dried fish went up due to decrease in consumption.

- Fresh mackerel (local):

  Price - W 27,500 per 10-kg-box for medium

- Frozen mackerel from Norway:

  Price - W 23,500 per 15-kg-box for medium, same as or a slight increase from the previous week.

(Source: September 3, 2001, the Korea Fisheries Times, Seoul, Korea)