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Republic of Korea

Composite Rating: Aa2 / AA/ AA-

Outlook: Positive

Bond/s: KOREA 5.625 25

Country Overview

- **Highly Developed Mixed Economy:** South Korea boasts a highly developed mixed economy, ranking as the 15th largest globally by nominal GDP as of 2024.
- **Rapid Economic Development:** The nation experienced a remarkable economic transformation known as the "Miracle on the Han River," evolving from an underdeveloped country to a high-income, developed nation in a few decades.
- **Global Leader in Key Industries:** South Korea is a global leader in sectors such as electronics, telecommunications, automobile production, chemicals, shipbuilding, and steel, with significant investments in research and development (around 4.93% of GDP).

Macro Fundamentals

- **Resilient Against Shocks:** Strong economic fundamentals and sound macroeconomic policies have enabled South Korea to navigate various economic shocks effectively, leading to a recovery in economic growth and a decline in inflation.
- **Strong Export Performance:** Exports remain a crucial driver of economic growth, with integrated circuits, machinery, and vehicles being key export goods. The country was the ninth-largest exporter worldwide in 2022.
- **Healthy External Position:** South Korea maintains a robust current account surplus, driven by strong global demand for its key exports, and holds significant foreign exchange reserves.

Risk & Catalysts

- **Demographic Challenges:** Rapid population aging and a declining labor force pose significant long-term economic and fiscal challenges, potentially impacting growth potential.
- **Geopolitical Tensions:** Recurring military crises and geopolitical tensions in the region, particularly involving North Korea, can negatively affect financial markets and the country's credit rating.
- **Global Economic Uncertainty:** Downside risks stemming from policy shifts in major trading partners, softening global demand (especially for semiconductors), and heightened global commodity price volatility could impact economic growth.



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Key Macro Indicators

	FY2022	FY2023	FY2024	2025F
Real GDP Growth	2.7%	1.4%	2%	1%
Inflation Rate	5.1%	3.6%	2.3%	1.8%
Current Account Balance, % of GDP	1.4%	1.8%	5.3%	3.5%
Fiscal Balance/GDP	-1.49%	-0.67%	-0.63%	-0.4%
General Government Gross Debt, % of GDP	49.8%	50.7%	52.5%	54.5%

Sources: International Monetary Fund (IMF), Metrobank Research

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