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.

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