

PRESS RELEASE



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Gross Domestic Product Estimates* for North Korea in 2018

* Direct comparisons of North Korean economic indicators related to the national accounts (such as growth rate, industrial structure, economic size, and per capita GNI) with those of other countries are not advisable, as they are estimated based on South Korean prices and value-added ratios.

I . Economic Growth Rate

North Korean real GDP decreased by 4.1% in 2018.*

* Lowest growth rate since 1997 (-6.5%)

— The negative growth rates of agriculture, forestry & fishing and mining & manufacturing declined further.

North Korean real GDP Growth

(percentage change over previous year)

| '90 | '95 | '00 | '05 | '10 | '11 | '12 | '13 | '14 | '15 | '16 | '17 | '18 |
|----------------------|----------------------|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| -4.3 | -4.4 | 0.4 | 3.8 | -0.5 | 0.8 | 1.3 | 1.1 | 1.0 | -1.1 | 3.9 | -3.5 | -4.1 |
| (9.8 ²⁾) | (9.6 ²⁾) | (8.9 ²⁾) | (4.3) | (6.8) | (3.7) | (2.4) | (3.2) | (3.2) | (2.8) | (2.9) | (3.2) | (2.7) |

Note: 1) Figures in parentheses represent South Korea's GDP growth rates.

2) Figures based on 2010 prices

(GDP Growth by Industry)

Production in the agriculture, forestry & fishing sector fell by 1.8% in 2018 (-1.3% in 2017) due mainly to a drop in agriculture and fishing.

Mining production decreased by 17.8% in 2018 (-11.0% in 2017), owing to sharp declines in coal mining and both metal and nonmetal production.

- Manufacturing production contracted by 9.1% (-6.9% in 2017) mainly due to a decrease in heavy & chemical industry production.
 - Light industry production registered a 2.6% decrease (+0.1% in 2017) as fiber, apparels, and leather decreased.
 - Production in the heavy & chemical industry fell by 12.4% (-10.4% in 2017), as production in sub-sectors such as non-metallic mineral products; primary metal products; and assembled metal products & machinery decreased.
- Electricity, gas & water production expanded by 5.7% (-2.9% in 2017). The production of electricity increased due to a rise in thermal and hydroelectric power generation.
- Construction shifted downwards by 4.4% (-4.4% in 2017), mainly on the weakened supply of construction materials.
- The services sector increased by 0.9% (+0.5% in 2017), as the accommodation & food services sector was expanded.

North Korean real GDP Growth, by Industry

(percentage change over previous year)

| | North Korea | | | South Korea | |
|---------------------------------|-------------|---------|---------|-------------|-------------------|
| | 2016 | 2017 | 2018 | 2017 | 2018 ^P |
| Agriculture, forestry & fishing | 2.5 | -1.3 | -1.8 | 2.3 | 1.5 |
| Mining & manufacturing | 6.2 | -8.5 | -12.3 | 3.7 | 3.3 |
| Mining | 8.4 | -11.0 | -17.8 | -4.0 | -7.9 |
| Manufacturing | 4.8 | -6.9 | -9.1 | 3.7 | 3.4 |
| (Light industry) | (1.1) | (0.1) | (-2.6) | (3.5) | (0.0) |
| (Heavy & chemical industry) | (6.7) | (-10.4) | (-12.4) | (3.8) | (4.0) |
| Electricity, gas & water supply | 22.3 | -2.9 | 5.7 | 6.2 | 3.0 |
| Construction | 1.2 | -4.4 | -4.4 | 5.9 | -4.0 |
| Services | 0.6 | 0.5 | 0.9 | (2.6) | (3.2) |
| (Government) | (0.6) | (0.8) | (0.8) | (2.5) | (3.2) |
| (Other services ¹⁾) | (0.5) | (-0.3) | (1.2) | (2.6) | (3.1) |
| GDP | 3.9 | -3.5 | -4.1 | 3.2 | 2.7 |

Note: 1) Includes sub-sectors such as (i) wholesale & retail trade and accommodation & food services, (ii) transportation & communications, and (iii) finance, insurance & real estate.

II. Industrial Structure

- A look at North Korea's industrial structure in 2018 showed decreases in the shares of GDP (in nominal GDP terms) accounted for by mining & manufacturing, but increases in the shares of the agriculture, forestry & fishing; electricity, gas & water supply; and services sectors.
- The share of total GDP contributed by agriculture, forestry & fishing rose by 0.5%p to 23.3%.
 - The share of mining & manufacturing contracted by 2.4%p to record 29.4%, with mining (10.6%) and manufacturing (18.8%) decreasing by 1.1%p and 1.3%p, respectively.
 - The share of electricity, gas & water supply increased by 0.4%p to 5.4%.
 - The share of construction shifted upward by 0.3%p to 8.9%.
 - The share of services rose by 1.3%p to stand at 33.0%.

North Korean Industrial Structure¹⁾

(%)

| | North Korea | | | South Korea | |
|---------------------------------|-------------|--------|--------|-------------|-------------------|
| | 2016 | 2017 | 2018 | 2017 | 2018 ^P |
| Agriculture, forestry & fishing | 21.7 | 22.8 | 23.3 | 1.9 | 1.8 |
| Mining & manufacturing | 33.2 | 31.8 | 29.4 | 27.1 | 26.8 |
| Mining | 12.6 | 11.7 | 10.6 | 0.1 | 0.1 |
| Manufacturing | 20.6 | 20.1 | 18.8 | 26.9 | 26.6 |
| (Light industry) | (6.9) | (6.8) | (6.8) | (4.4) | (4.4) |
| (Heavy & chemical industry) | (13.7) | (13.3) | (12.0) | (22.5) | (22.3) |
| Electricity, gas & water supply | 5.2 | 5.0 | 5.4 | 2.2 | 1.9 |
| Construction | 8.8 | 8.6 | 8.9 | 5.5 | 5.4 |
| Services | 31.1 | 31.7 | 33.0 | 54.8 | 55.4 |
| (Government) | (22.4) | (23.2) | (24.6) | (9.5) | (9.2) |
| (Other services ²⁾) | (8.7) | (8.4) | (8.5) | (45.4) | (46.3) |
| GDP | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Notes: 1) Proportion of each industry's production in total nominal GDP.

2) Includes sub-sectors such as (i) wholesale & retail trade and accommodation & food services, (ii) transportation & communications, and (iii) finance, insurance & real estate.

III. Gross National Income & External Trade

- North Korean gross national income (nominal GNI) was valued at 35.9 trillion KRW for 2018, 1/53 (1.9%) of that of the South Korean economy.
- GNI per capita stood at 1.428 million KRW, approximately 1/26 (3.9%) of that of South Korea.

Nominal and Per Capita GNI in North and South Korea

| | North Korea (A) | | South Korea (B) | | B/A | |
|--------------------------------------|-----------------|-----------------|------------------|-------------------|------|------|
| | 2017 | 2018 | 2017 | 2018 ^P | 2017 | 2018 |
| Nominal GNI (KRW trillion) | 36.6 (0.7) | 35.9 (-2.0) | 1,843.2 (5.5) | 1,898.5 (3.0) | 50.3 | 52.9 |
| Per capita GNI (KRW 10 thousands) | 146.4 (0.2) | 142.8 (-2.5) | 3,588.6 (5.2) | 3,678.7 (2.5) | 24.5 | 25.8 |
| Population (thousands) | 25,014 | 25,132 | 51,362 | 51,607 | 2.1 | 2.1 |

Notes: Figures in parentheses are the year-on-year rates of growth.

(External Trade)

- The volume of North Korea's external trade (sum of exports and imports of goods, excluding goods transported between North and South Korea) amounted to 2.84 billion dollars in 2018, a decrease of 48.8% from the 5.55 billion dollars during 2017.
 - Exports totaled 0.24 billion dollars, a decrease of 86.3% compared to the year before.
 - o Exports of fiber (-99.5%), products of mineral origin (-92.4%), and machinery (-76.5%) decreased.
 - Imports totaled 2.60 billion dollars, a decrease of 31.2% from the year before.
 - o Imports of transport equipment (-99.0%), machinery (-97.3%), and fiber (-33.3%) decreased.

External Trade of North and South Korea¹⁾

(USD 100 million)

| | North Korea (A) | | South Korea (B) | | B/A | |
|--------------|-----------------|-----------------|--------------------|-------------------|-------|---------|
| | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 |
| Trade Amount | 55.5 (-15.0) | 28.4 (-48.8) | 10,521.7 (16.7) | 11,400.6 (8.4) | 189.6 | 401.4 |
| Exports | 17.7 (-37.2) | 2.4 (-86.3) | 5,736.9 (15.8) | 6,048.6 (5.4) | 324.1 | 2,520.3 |
| Imports | 37.8 (1.8) | 26.0 (-31.2) | 4,784.8 (17.8) | 5,352.0 (11.9) | 126.6 | 205.8 |

Notes: 1) Excludes goods transported between North and South Korea.

2) Figures in parentheses represent rates of growth over the previous year.

Goods transported between North and South Korea* increased to 31.3 million dollars in 2018.

* Includes general exports and imports, economic cooperation, and non-commercial transportations.

- The 2018 figure is mainly due to non-commercial transportation of equipment used in the maintenance of the inter-Korean liaison office.
- Since the shutdown of the Kaesong Industrial Complex in 2016, there has been almost no trade between North and South Korea.

Volume of Goods transported between North and South Korea

(USD million, %)

| | '11 | '12 | '13 | '14 | '15 | '16 | '17(A) | '18(B) | (B-A) |
|----------------|---------|---------|---------|---------|---------|-------|--------|--------|-------|
| South-to-North | 800.2 | 897.2 | 520.6 | 1,136.4 | 1,262.1 | 147.0 | 0.9 | 20.7 | 19.8 |
| North-to-South | 913.7 | 1,074.0 | 615.2 | 1,206.2 | 1,452.4 | 185.5 | 0.0 | 10.5 | 10.5 |
| Total | 1,713.9 | 1,971.1 | 1,135.8 | 2,342.6 | 2,714.5 | 332.6 | 0.9 | 31.3 | 30.4 |

Source: Ministry of Unification.

<Reference>

North Korean GDP, by Economic Activity

(KRW billion, %)

| | Real | | Rate of change | Nominal | | Share (2018) |
|---|-----------------|-----------------|----------------|-----------------|-----------------|--------------|
| | 2017 | 2018 | | 2017 | 2018 | |
| Agriculture, forestry & fishing | 7,049.4 | 6,921.8 | -1.8 | 8,304.5 | 8,302.9 | 23.3 |
| Mining & manufacturing | 10,462.0 | 9,173.4 | -12.3 | 11,573.2 | 10,472.0 | 29.4 |
| Mining | 4,265.5 | 3,506.7 | -17.8 | 4,271.4 | 3,782.4 | 10.6 |
| Manufacturing | 6,196.6 | 5,631.7 | -9.1 | 7,301.8 | 6,689.6 | 18.8 |
| Electricity, gas & water supply | 1,157.3 | 1,223.2 | 5.7 | 1,836.5 | 1,934.6 | 5.4 |
| Construction | 2,494.0 | 2,383.8 | -4.4 | 3,146.8 | 3,173.8 | 8.9 |
| Services | 9,608.8 | 9,693.4 | 0.9 | 11,520.7 | 11,787.2 | 33.0 |
| Government | 6,958.4 | 7,012.1 | 0.8 | 8,446.8 | 8,771.7 | 24.6 |
| Other services | 2,650.3 | 2,681.5 | 1.2 | 3,074.0 | 3,015.5 | 8.5 |
| (Wholesale & retail trade and Accommodation & food services) | 125.8 | 157.2 | 25.0 | 136.0 | 163.1 | 0.5 |
| (Transportation & communication) | 730.9 | 727.3 | -0.5 | 838.2 | 776.1 | 2.2 |
| (Finance, insurance & real estate) | 1,795.3 | 1,800.8 | 0.3 | 2,099.8 | 2,076.3 | 5.8 |
| GDP | 30,882.3 | 29,601.3 | -4.1 | 36,381.8 | 35,670.5 | 100.0 |

How North Korea's GDP is Estimated

The Bank of Korea has been estimating the gross domestic product of North Korea annually since 1991, using the basic data on production quantities supplied by relevant institutions.

This estimation project has been undertaken for the purpose of evaluating the North Korean economy from South Korea's perspective and utilizing the results in policy-making.

The estimation therefore follows the System of National Accounts (SNA),* which is also applied in GDP estimation for South Korea.

* Nations in transition to a market economy also compile their GDP statistics based on the SNA, as is the practice in most market economies including South Korea.

GDP at current prices is estimated with the use of South Korean prices and value-added ratios.