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Exchange Rates:

Cash	Buying	Selling	
1	USD	1239.82	1197.18
1	EUR	1567.10	1505.96
100	J	1415.32	1366.64
1	CNY	192.28	170.73





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FDI falls in first half on strong won

Foreign direct investment in Korea fell by 6.7 percent in the first half of 2010 to \$4.33 billion from \$4.64 billion a year ago, the Ministry of Knowledge Economy said yesterday.

The ministry blamed the slight decrease on the stronger value of the Korean won, which makes investments more expensive, and the lingering effects of the global financial crisis.

The average value of the won was 1,154 against the U.S. dollar in the first half of this year against 1,351 won to the dollar in the first half of 2009.

However, FDI inflows on a quarter-on-quarter basis increased 81 percent in the second quarter to \$2.8 billion from \$1.54 billion in the first quarter, indicating economic conditions were rapidly improving.

So-called new growth industries, including biomedical, renewable energy, light-emitting diodes and software, received a bigger share of FDI this year, accounting for 31.3 percent of total FDI against 15.8 percent last year.

Investment in manufacturing, including medicine and chemical engineering, rose 19.6 percent on-year to \$1.99 billion, while investment in the service sector, including retail, fell 23 percent to \$2.27 billion.

Foreign direct investments from emerging economies, including China and the Middle East, surged 80.5 percent on-year to \$1.9 billion, investments from advanced economies, including the U.S., Japan and Europe, fell 32.5 percent to \$2.4 billion.

“Despite the decline of FDI in the first half, the country’s investment conditions are improving,” the ministry said. “As the global economy recovers, there will be more flow of investment.”

The government has set an FDI target of \$13 billion this year, up from \$11.5 billion in 2009.



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NEWS BRIEFS

IMF raises growth forecast to 5.75%

The International Monetary Fund yesterday raised Korea's economic outlook for the year to 5.75 percent, close to the Korean government's forecast of 5.8 percent, up from its previous estimate of 4.5 percent.

During a briefing at the Ministry of Strategy and Finance in Gwacheon, Gyeonggi, the IMF predicted that the Korean economy would grow by 5 percent next year.

The IMF mission, led by Subir Lall, division chief, suggested that the Bank of Korea should raise the key interest rate to curb inflationary pressure and that the bank recapitalization fund should be wound down.

It also recommended that Korea should boost domestic demand to reduce the country's dependence on exports, which would also protect Korea against downturns in global demand.

"The Korean economy has staged an impressive recovery since early 2009 thanks to the authorities' supportive macroeconomic and financial policies, and the normalization in global trade," said the IMF.

Without enough juice, summer blackouts possible

Before you reach for the air conditioner remote, consider this: Due to excessive energy use, Korea could experience blackouts this summer.

According to the Ministry of Knowledge Economy yesterday, power cuts are "highly possible" if conservation measures don't kick in. The ministry based its prediction on a sharp fall in the total volume of reserve electric power.

The ministry said Korea's energy consumption at its peak this summer is expected to reach up to 70.7 million kilowatts, which is 11.8 percent more than last summer, when the weather was less oppressive. Korea's energy supply is 75.3 million kilowatts.

The problem is that demand is growing much faster than supply because of both the hot weather and the rapidly recovering economy, which leads industry to use more power. Korea posted economic growth of 8.1 percent in the first quarter of this year, and the government raised its annual growth projection from 5 percent to 5.8 percent.

The energy supply is expected to increase by only 3.7 percent this year. What that means is that the country's reserve electric power is likely to fall as low as 4 million kilowatts, or 5.8 percent of supply, which is a risky figure for Korea, according to the ministry.

Until now, the lowest level of electricity reserves was in the very hot summer of 1994. The reserve ratio then fell as low as 2.8 percent.

"Current electricity conditions are not in such good shape," said a ministry official. "At this



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pace, Korea's reserved electricity might fall lower than 4 million kilowatts."

If reserves fall below the 4 million kilowatt level, the government has the right to demand power cuts and control electricity usage.

Of course, the threat of power cuts has been raised in previous summers, and in some winters, but they've always been avoided.

One method was through conservation measures, and the ministry is planning to restrict the use of air-conditioning starting next month during the peak hours of 11 a.m. and 3 p.m. for buildings that consume more than 2,000 ton-oil-equivalents (or TOEs) of energy.

North Korea faces new economic crisis

The North Korean economy is expected to contract this year due to trade sanctions imposed by South Korea in the wake of the North Korean sinking of the Cheonan warship, the Korea Development Institute said yesterday.

"The North is very likely to see its economy shrink this year," said the state-run think tank, without offering an estimate on how much the economy would contract.

The Bank of Korea recently estimated that the North Korean economy contracted by 0.9 percent in 2009 after it expanded by 3.1 percent in 2008. But the KDI noted that the BOK estimated that the North Korean economy had also contracted by 1.1 percent in 2006 and 2.3 percent in 2007, indicating that the North's economy was on a downward trend.

The KDI said that the North's economic growth rate was correlated with the growth rate in trade. It suggested that the North would consequently suffer due to the South's trade ban since the North had a \$333 million trade surplus with the South last year.

However, customs data released by China yesterday indicated the South Korean trade ban may prove to be less effective than estimated by the KDI. Trade volume between North Korea and China expanded 18.1 percent to \$983 million between January and May this year compared to a year ago. Chinese imports to North Korea rose 29 percent to \$727 million, while North Korean exports to China fell by 4.9 percent to \$256 million.

Moreover, analysts suggest that South Korea's trade ban with North Korea is not complete since the Kaesong Industrial Park is still in operation.

Tighter watch on banks

The Financial Supervisory Service is planning to boost the number of inspectors for savings banks in response to mounting problems in the sector.



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The government was recently forced to arrange a rescue fund for the savings banks due to troubled project financing loans on their books. In addition, the savings banks are expected to post total losses for fiscal year 2009.

The FSS said it wants to double the number of savings bank inspectors by hiring another 30 in the mutual savings bank department.

“It is far beyond our capacity to conduct proper inspections on the 105 savings banks with the current workforce,” said a FSS official. “The financial sector appears to be in favor of the need to expand the savings bank inspection workforce.”

He added, however, that the FSS first needs to discuss the issue with other related state agencies in line with the government’s policy to improve coordination within the bureaucracy and prevent overlapping responsibilities.

Houses to be flattened

There are a growing number of plans by residential associations in southern Seoul, particularly the Seocho and Gangdong districts, to tear down houses and replace them with high-rise apartments. Residents in these areas are forming trusts for the redevelopment of their neighborhoods.

Such redevelopment projects are seen as highly profitable since land occupied by single-family houses can be transformed into sites that contain many apartments.

The Seoul city government decided to add old residential areas to its list of places to redevelop, which has added momentum to the trend. At least 10 different residential areas have proposed construction plans, with a total of 10,800 apartment units to be built.

Residential areas in Bangbae-dong, Seocho District, have been the most active in seeking redevelopment. Construction plans for some 11 locations in the area have been authorized, with 2,575 apartment units to be built. Seocho District Office intends to approve construction plans for four other locations by next month.

“Last year, the rules were eased to reduce the age of houses subject to redevelopment and the minimum size of the land was cut to 5,000 square meters [1.2 acres] from 10,000,” said Choi Myeong-hwan, a Seocho District Office official involved in housing development. “Now the change is taking full effect.”

Godeok-dong in Gangdong District also has been targeted for



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redevelopment, with three sites already approved.

There are no redevelopment plans so far in the Gangnam and Songpa districts, but seven locations in Gangnam including Nonhyeon-dong, and three locations in Songpa, including Munjeong-dong, may soon be zoned for redevelopment by the Seoul city government.

Foreign residents top 1.2 million for first time

The number of foreign nationals staying here legally totaled 1.21 million as of June 30, up 4.6 percent from a year earlier. This is the first time that the figure has topped 1.2 million.

Foreigners staying for fewer than 90 days for leisure or business rose 13 percent from the previous year, with those living here for more than 90 days inched up 0.4 percent, the Ministry of Justice said Tuesday.

The number of foreign nationals marrying Koreans increased 8.2 percent to 136,556 in the January to June period, with Chinese and Vietnamese women accounting for 47.7 percent and 23.8 percent of the total, respectively.

Those studying at local universities and other educational institutions came to 82,100, up 8.4 percent, with Chinese citizens accounting for nearly 77 percent of the total.

The number of foreign visitors totaled 4.14 million in the first half of the year, an 8 percent year-on-year growth.

The majority of them came from Asian countries, with Japanese travelers topping the list at 1.45 million. China came in second as the increasingly wealthy Chinese, totaling 755,000, come to Korea for shopping and leisure-related services, followed by the United States at 340,000, Taiwan at 216,000 and Thailand at 108,000.

"Among foreign nationals, we expect more Chinese travelers to come here in the second half of the year as Korea's visa restrictions for them will be relaxed in the coming days. We will soon issue more one-year multiple entry visas to the Chinese, as well as allow air transit passengers to enter the country to encourage them to spend money here," a ministry official said. The number of Chinese tourists for the first six months of this year surged 38.3 percent from a year earlier.

Foreigners overstaying their visas fell 7 percent to 174,000 in the first six months of the year from the same period in 2009.



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Korean satellite reaches orbit

South Korean authorities confirmed Tuesday that the country's first geostationary satellite, the Communication, Ocean and Meteorological Satellite-1 (COMS-1), successfully reached its desired orbit.

COMS-1, nicknamed the Chollian, is designed to monitor the atmosphere and ocean, while its position in the geostationary orbit also allows it to assist communications systems.

The multipurpose satellite was part of the payload of the European Ariane-5 rocket launched last month from the Guiana Space Center in Kourou, French Guiana.

According to the Ministry of Education, Science and Technology, the satellite reached its targeted position of east longitude 128.2 degrees on Monday, allowing it to circle the Earth at its fixed-orbit, which is approximately 36,000 kilometers above the equator, while maintaining 24-hour coverage of the Korean Peninsula.

The movement of the satellite is currently managed by EADS Astrium of France, which participated in designing it. The satellite will be taken over by Korean ground controllers managed by the Korea Aerospace Research Institute (KARI), the Korean space agency, starting Saturday. KARI will collaborate with the Electronics Telecommunications Research Institute (ETRI) and the Korea Ocean Research Development Institute (KORDI) in operating the satellite and analyzing its data during a six-month test period, before COMS-1 officially goes to work in December.

"All of the communication and maritime and meteorological observation equipment is functioning normally," said a ministry official.

COMPANY AFFAIRS



Retail chains cull range of products on shelves

Some Korean consumers will have to get used to missing their favorites as big discount chains are going on a diet, deliberately reducing the variety of products on their shelves. Companies such as E-Mart and Lotte Mart are eschewing their previous "more is more" mentality for a slimmer selection to maximize revenues and operational efficiency.

Industry watchers are divided on whether the philosophy will work, or whether it will be perceived by customers as a stingy limitation of their right to choose.

E-Mart, the nation's No. 1 discount store chain, recently announced the reduction of its laundry detergent stocks to one size per brand. The company spent the last two to three months conferring with manufacturers about its plan to sell "only the size consumers prefer the most," according to a company press release. Previously, some detergents came in as



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many as five sizes. As a result, the number of detergent products E-Mart offers will shrink from nearly 100 to about 50.

Lotte Mart has also been reducing its merchandise variety since the end of last year, from nearly 40,000 different items last year to about 34,000.

“In the past, we thought more was better, but we discovered it caused customer confusion and actually hindered the consumer from making choices,” said Jeong Won-heon of Lotte Mart’s PR department. “We can cut down on redundancies and inefficiencies in operations, thereby passing the benefits back to the consumers.”

However, Lotte Mart stressed that it is not blindly eliminating product types. According to a press release, it is easing out “unpopular” products determined by revenue figures. “We are not going so far as to limit the customer’s range of choice to just one size,” Jeong said.

FKI chairman steps down

Cho Suck-rai, the chairman of the Federation of Korean Industries, yesterday resigned, citing health reasons.

Cho, 74, underwent two major operations last month after tumors were discovered on his gallbladder in May. His health condition has not improved since then.

“In being responsible for representing the conglomerates, I had hoped to try my best, but I am sorry to say that I will not be able to serve until the end of my term,” Cho told the federation’s members and officials in a letter.

He added that “the business group should continue contributing to the development of the nation’s economy” and that he will help members as much as he can if his health improves.

Cho, who heads the Hyosung Group, a midsized conglomerate with businesses in textile, chemicals and heavy machinery, was inaugurated as the federation’s chairman in March 2007. After serving one term, he was re-elected last year to serve until February 2011 as chairman of the nation’s largest business group.

The sudden announcement of Cho’s resignation is provoking debate on who will succeed him.

Some of the candidates being mentioned are the heads of the four biggest conglomerates, including Samsung Group Chairman Lee Kun-hee, Hyundai-Kia Automotive Group Chairman Chung Mong-koo, SK Group Chairman Chey Tae-won and LG Group Chairman Koo Bon-moo.

Previously, the federation has been led by some of the heads of the large conglomerates, including Samsung Group founder Lee Byung-chull and Hyundai Group founder Chung Ju-yung.

IBK signs deal on Latin America risk

The Industrial Bank of Korea (IBK) yesterday signed an agreement with the Inter-American Development Bank (IDB) to guarantee letters of credit



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issued by Latin American banks to Korean exporters.

The agreement comes on expectations of increased exports to Latin America following President Lee Myung-bak's recent visit to the region, which could pave the way for free trade pacts.

Latin America is recording robust growth rates, with the World Bank forecasting that the region will expand by 4.5 percent this year.

Brazil in the first quarter of 2010 grew 9 percent. The Brazilian central bank last month predicted growth for the full year could reach 7.3 percent, the highest in more than two decades.

Mexico reported in the first quarter a 4.3 percent growth rate, while hoping to reach 5 percent by the end of this year.

Two shipping firms plan to sue airlines for cartel

Shipping companies are preparing to file lawsuits against international cargo airlines accused of cartel activities, according to Cho & Lee, a local law firm, yesterday.

The firm said two shipping companies were planning to sue 21 airlines including Korean Air and Asiana Airlines for an undisclosed amount of damages. One of the two is TCE, a shipping firm based in Busan that is no longer in active operation. The name of the other plaintiff was not released.

"The level of punishment [the airlines] received was lower than expected [in the Fair Trade Commission case] as some of the airlines that came forward at the Fair Trade Commission and revealed their wrongdoings saw their fines reduced," said Lee Dae-soon, an attorney at the law firm. "Shipping companies saw huge losses due to the cartel activities."

Lee said he is asking more shipping companies to participate in the lawsuit, but most of them were unwilling to do it because they were afraid of spoiling their relationships with the airlines.

On May 27, the Fair Trade Commission issued reprimands and levied 120 billion won (\$98.5 million) worth of fines against 21 airlines in 16 countries.

Big firms increase hiring in second half - at entry level too

Youth will welcome the news of new, coveted jobs at large corporations, as sizable companies increase the number of positions offered in the second half of the year, according to a survey by the Korea Employers Federation.

At a luncheon yesterday of corporate representatives of the KEF and officials from both governmental and civilian bodies such as the Ministry



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of Employment and Labor, the KEF released the findings of a survey it conducted from June 20 to 30 titled, "The recruitment plans of select corporations in the latter half of 2010."

Of 79 top Korean companies, 39 answered the survey, plus four conglomerate groups: Hanjin, Lotte, Doosan and SK. The companies were chosen by taking the 50 companies with the highest revenue and 50 companies with the most full-time employees.

The overall number of available job positions for these groups and corporations will total 59,085 in 2010, a 15.5 percent increase from last year, and the amount of starting positions will also increase by a similar rate, 15.3 percent, to 53,007.

This, the KEF said, was the product of the economic recovery centered around export-centered manufacturers since the economic crisis of September 2008.

During the latter half of 2010, the increase in new job positions is expected to continue, with a 9.4 percent uptick in total jobs offered compared to the first half and a 12 percent increase of starting positions.

Posco offers best job security on average: survey

Employees at Korean conglomerates work for the same company for an average of 11.5 years, according to JobKorea, a job recruitment and information Web site, yesterday.

The site analyzed 82 out of the top 100 local companies with the highest sales that had submitted business reports to the Financial Supervisory Service. Posco had the lowest turnover, with 19.4 year average careers, while Yeochun Naphtha Cracking Center was second at 19 years.

Hyundai Heavy Industries was close behind at 18.7 years, followed by KT and Kookmin Bank. Sixth place was a tie between the Industrial Bank of Korea and Korea Standard Chartered First Bank at 17.5 years each.

The top 20 spots were mostly taken by public enterprises. In the private sector, financial institutions scored the highest.

MARKET WATCH



Seoul stocks open lower on foreign sell-offs

South Korean stocks started lower on Wednesday as foreign investors moved to profit from recent auto and shipyard gains, analysts said.

The benchmark Korea Composite Stock Price Index (KOSPI) shed 10.68 points, or 0.63 percent, to trade at 1,674.26 as of 9:15 a.m.

Wall Street rebounded on Tuesday, ending a five-day losing streak on bargain hunting, but investor sentiment remained fragile as data showed service sector activities rose in June at the slowest pace since February, according to the analysts.

