Oil will bring a pinch, not a slump

**Monday, May 2, 2011**

**Man in charge**

**Harboring tenacity to your goals**

Alexander Jun

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**Opinion**

**Oil market key to bridging Korea’s output gap**

**There are some grounds for optimism. The authorities have tweaked their housing policies since the Lehman crash to boost the property market, most recently in March when they cut the home purchase tax rates by 50 percent. Another hopeful sign is that the Bank of Korea has reversed the end of its interest rate normalisation.**

**The interest rate for most mortgages in Korea is linked to the 3-month CD rate, which typically trades between 0.25 percent and 0.5 percent above the Bank of Korea’s policy rate**

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**Global economy**

A 2008-09 Resolution of the Crisis

Mauro Guillen

Wharton School professor of management

Emilio Odoneares

Universidad de Alcalá in Madrid and Munich


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**Korean economy**

Tim Condon

HSBC senior economist

The Bank of Korea’s preliminary estimates show that real GDP grew year-on-year at a rate of 4.1 percent in the first quarter of 2011 compared to 3.2 percent in the previous quarter. (**T**) has increased by 9 percent in the first quarter, up from 7.5 percent in the fourth quarter.

March in annual terms, the highest rate in 32 months.

The most important background factor was not only the increase in consumption but also the increase in the rate of capital investment. What is surprising is the lack of a strong recovery in manufacturing, where the growth rate was only 0.7 percent in March, compared to 3.3 percent in February.

The problems are now more serious. The Korean economy is still vulnerable to a sharp decline in exports, which could lead to a sharp decline in industrial production.

Korea is a small and highly open economy, which means that it is particularly vulnerable to shocks from abroad.

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The Chinese economy grew at an annualized rate of 7 percent over the first quarter of 2011, compared to 9.7 percent during the same period in 2010 and 10.8 percent in the first quarter of 2010. Domestic consumption accounted for slightly more than 60 percent of growth and the external sector reduced by 4.4 percent, to a large extent due to an increase in the price of exports.

If China’s growth slows down and inflation creeps above the usual levels, we could witness a significant reduction in its trade surplus with the rest of the world in particular.

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