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Release Date: May 29

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NATIONAL ACCOUNT FOR 2011 SUBMITTED TO NATIONAL ASSEMBLY

The Korean government has submitted FY2011 national financial settlement report (a report for national settlement, bond, debt, national property and goods, reserves, etc.) to the National Assembly on Thursday, May 31 after it was audited by the Board of Audit and Inspection (BAI) as prescribed by the National Finance Act. The accrual-basis financial statements were added, for the first time, to this latest national settlement report. National financial statements are similar to consolidated financial statements in the private sector, consolidating financial statements of 51 central government agencies with the exclusion of intra-government transactions.

1. Revenues and expenditures

The revenue and expenditure account involves the general accounts of 49 central government bodies and 18 special accounts.

<Revenue and expenditure account>

(trillion won)

	Revenue (A)	Expenditure (B)	Surplus (A-B)	Carry-over (D)	Net surplus (C-D)
Total	270.5	258.9	11.6	5.1	6.5
General account	214.9	207.4	7.4	2.3	5.1
Special account	55.6	51.5	4.2	2.8	1.4

Revenues were 9.3 trillion won more than those in the previous year and 6.4 trillion won more than the planned amount. The general account contributed 4.9 trillion won of the increase and the special account 1.5 trillion won. Expenditures registered 96.0 percent of the budget in 2011, up 10.3 trillion won year-on-year.

Out of the 2.5324 trillion won reserve fund, 93.6 percent was spent. The spending consisted mostly of costs used to cope with foot-and-mouth disease and avian flu, 945.7 billion won, those to prepare for natural disasters, 642.6 billion won, those of military dispatch to foreign countries, 74 billion won and daycare support, 67.7 billion won.

<Reserve funds>

(billion won)

	Budget	Expenditure planned	Expenditure	Carry-over	Unused budget
Total	25,324	23,986	23,710	119	1,495
General account	24,000	23,986	23,710	119	171
Special account	1,324	-	-	-	1,324

Emergency funds cover special activity expenses and costs of carrying out official duties. The total of 1.974 billion won, 97.7 percent of the budget, was spent.

<Emergency funds>

(million won)

	Budget	Expenditure planned	Expenditure	Carry-over	Unused budget
Total	2,021	1,984	1,974	0	47
National Assembly	1,300	1,300	1,300	0	0
Supreme Court	236	226	220	0	16
Constitutional Court	25	0	0	0	25
National Election Commission	460	458	455	0	5

Out of the 10.2 trillion won gender responsive budget, 10.0 trillion won, 98.2 percent, was spent.

<Gender responsive budget>

(billion won, %)

	No. of ministries in charge	No. of projects	Budget (A)	Expenditure (B)	Expenditure to budget (B/A)
Total	34	241	10,207.6	10,029.6	98.2
Projects financed by national budget	32	197	8,438.6	8,389.6	99.4
Projects financed by national fund	10	44	1,769.0	1,640.0	92.7

2. Fiscal balance

The consolidated fiscal account excluding social security funds was a deficit of 13.5 trillion won, 1.1 percent of GDP, while the consolidated fiscal account including social security funds was a surplus of 18.6 trillion won, 1.5 percent of GDP.

<Consolidated fiscal balance>

(trillion won)

	2010 balance (A)	2011			Change from the previous year (C-A)
		Budget (B)	Balance (C)	Difference (C-B)	
Consolidated fiscal account (1) (Percentage to GDP)	16.7 (1.4)	5.3 (0.4)	18.6 (1.5)	13.3	1.9
Social security fund account (2)	29.7	30.3	32.1	1.7	2.4
Consolidated fiscal account excluding social security funds (1-2)	-13.0	-25.0	-13.5	11.5	-0.5

(Percentage to GDP)	(-1.1)	(-2.0)	(-1.1)		
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3. National debt

The central government's debt hit 402.8 trillion won, 32.6 percent of GDP, adding 29.0 trillion won to the previous year's debt, but less than the budget by 14.5 trillion won. The debt including that of local governments reached 420.7 trillion won, 34.0 percent of GDP, increasing 28.5 trillion won, or 0.6 percentage points from the 2010 account.

<National debt>

(trillion won)

	2010 account (A)	2011		Change	
		Budget (B)	Balance (C)	From the previous year (C-A)	From the budget (C-B)
Central government (1)	373.8	417.3	402.8	29.0	-14.5
(Percentage to GDP)	(31.9)	(33.6)	(32.6)	(0.7%p)	(-1.0%p)
-Treasury bond	367.2	411.2	397.1	29.9	-14.1
-Borrowing	3.5	3.0	2.5	-1.0	-0.5
-Contract resulting in treasury obligation	3.1	3.1	3.3	0.2	0.2
Local governments (2)	18.4	18.2	17.8	-0.6	-0.4
National debt (1+2)	392.2	435.5	420.7	28.5	-14.8
(Percentage to GDP)	(33.4)	(35.1)	(34.0)	(0.6%p)	(-1.1%p)

4. National credit

As of the end of 2011, the government had 181.4 trillion won worth of credit, a decrease of 4.6 trillion won, or 2.4 percent, compared with the previous year.

<National credit>

(billion won)

	2010	2011		Change	
			Ratio (%)	Amount	Rate (%)
Collected loan	127,125.4	119,122.1	65.7	-8,003.3	-6.3
Savings and deposit	40,238.6	39,125.7	21.6	-1,112.9	-2.8
Tax uncollected	11,338.4	14,362.7	7.9	3,024.3	26.7
Current transfer	5,225.9	5,276.4	2.9	50.5	1.0
Social security contributions	448.8	1,285.8	0.7	837.1	186.5
Others	1,573.0	2,226.3	1.2	653.3	41.5
Total	185,950.0	181,399.0	100.0	-4,551.0	-2.4

5. National assets

National assets increased in value due to reevaluation and with common properties included in national assets from 2011.

<National assets>

(billion won, %)

	2010 (A)	2011 (B)	Change (B-A)	
			Amount	Rate (%)
Land (Km ²)	108,547.5 (16,660)	436,157.9 (24,024)	327,610.4 (7,364)	301.8
Buildings	42,455.8	41,838.1	-617.7	-1.5

Securities	127,425.4	143,848.0	16,422.6	12.9
Infrastructure	28,997.2	239,200.3	210,203.1	724.9
Others*	10,056.9	13,293.4	3,236.5	32.2
Total	317,482.8	874,337.7	556,854.9	175.4

*Tress, vessels, airplanes, machinery equipment, intangible assets

<State-held goods>

(billion won, %)

	2010 (A)	2011 (B)	Change (B-A)	
			Amount	Rate (%)
Electricity and communications equipment	1,493.6	2,348.6	855.0	57.2
Office equipment	2,677.9	1,920.6	-775.3	-29.0
Office supplies	277.7	200.7	-77.0	-27.7
Conveying machinery, construction equipment and vehicles	2,361.9	1,798.7	-563.2	-23.8
Parts and machine tools	189.4	123.8	-65.6	-34.6
Industrial machinery	862.6	850.2	-12.4	-1.4
Medical and chemical analysis equipment	934.9	455.8	-479.1	-51.2
Equipment for laboratory test and measurement	2,174.5	1,058.2	-1,116.3	-51.3
Print and audio-visual equipment	449.2	363.3	-85.9	-19.1
Others	1,696.7	1,228.8	-467.9	-27.6
Total	13,118.4	10,330.7	-2,787.7	-21.3

6. Accrual-basis financial statement

The accrual-basis financial statement cover 49 general accounts, 18 special accounts including 13 other special accounts and 5 enterprise special accounts, and 64 funds.

<Accrual-basis financial statement>

(trillion won)

Accounts	Amount	Accounts	Amount
Assets	1,523.2	Liabilities	773.6
Current Assets	263.5	Current Liabilities	82.1
Invested Assets	483.0	Long-term Debts	294.8
General Tangible Assets	492.9	Long-term Provisions	374.8
Infrastructure	274.5	Other Non-Current Liabilities	21.9
Intangible Assets	1.0	Net Asset	749.6
Other Non-Current Assets	8.3	Core Net Asset	442.8
		Reserves and Capital Surplus	336.5
		Net Asset Adjustment	(29.7)

Assets

After evaluation process, including actual inspection and revaluation of assets, aggregate value of government asset totaled 1,523 trillion won. Specifically, current asset was 263 trillion won, invested assets 483 trillion won, general property and equipment 493 trillion won, infrastructure 275 trillion won, and other assets 9 trillion won. In particular, the recent financial statements recognized the value of infrastructure such as roads, airports, and harbors for the first time.

Liabilities

In addition to traditionally perceived liabilities, such as national bonds and borrowings, all types of

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liabilities based on accrual basis, including provisions and accounts payable, amounted to 774 trillion won. This covers 82 trillion won in current liabilities, 295 trillion won in long-term borrowings, 22 trillion won in other non-current liabilities, and 375 trillion won in long-term provisions for estimated liabilities. Estimated pension liabilities (342 trillion won) in the account of long-term provisions are the amount of pension to be paid to current beneficiaries of public officials' or veterans' pensions as well incumbent workers, calculated in compliance with accrual-based accounting under actuarial¹ assumptions.

Estimated pension liabilities were calculated this year for the first time, and they are not a new type of liability that had not existed before².

As of 2011, Korea's estimated liabilities for public officials' and veterans' pensions were 28% of GDP, a rate relatively low compared to other major economies.

<Estimated liabilities for provision of public officials' and veterans' pensions in major countries>
(Percentage to GDP)

Korea (2011)	US (2010)	UK (2010)	Germany (2006)	France (2006)
28	39	77	41	50

Reference: Financial Statement Reports for Korea, U.S. and U.K. 'Financial Report of the Eurostat: ECB Task Force on the statistical measurement of the assets and liabilities of pension schemes in general government to the Committee on Monetary, Financial and Balance of Payments Statistics', Jan. 2008 for Germany and France.

All countries that include estimated liabilities of pensions in their consolidated financial statements actually remove them from liabilities statistics for international comparison.

Net Assets

Net assets, the value of assets less the value of liabilities, totaled 749 trillion won. Compared to other countries that produce financial statements on an accrual basis, Korea's debt-to-asset ratio stands low.

<Comparison of debt-to-asset ratio in financial statements of major countries>
(billion in local currency, trillion won for Korea)

	Korea	US	UK	France	New Zealand
Assets (A)	1,523	2,884	1,208	891	223
Debts (B)	774	16,357	2,419	1,648	128
Net Asset (A-B)	749	△13,473	△1,212	△757	95
Debt/Asset (%)	50.8	567.2	200.4	185.0	57.4
Fiscal Year ³	2011	2010	2010	2010	2010
Scope	Central gov.	Federal gov.	Central/local gov, public entities	Central gov.	Central gov.

Reference: HM Treasury, UK. 'Whole of Government Accounts', Nov. 2011.
National Financial Statements for Korea's statistics

Expected Benefits

Now that the central government has begun preparing accrual-based financial statements, it is possible to manage national assets and liabilities more comprehensively and systemically. The government is capable of identifying infrastructure that is not listed in the national property ledger, and assets that are

¹ Statistical calculation that involves retirement rate, mortality rate, pension coverage, wage rise, inflation, and discounts

² An outcome of 251 trillion won was generated after a trial calculation of estimated pension liabilities in FY2007 using the same method. 251 trillion won (25.7% of GDP) in 2007→342 trillion won (27.6% of GDP) in 2011

³ Fiscal year of the US, UK, France and New Zealand is different from the calendar year. For convenient comparison to Korean statistics, calendar years of the statistics are indicated as fiscal years in the table.

under construction, preventing loss and enabling systemic assessment and management of assets. Recognizing potential liabilities that may incur financial expenditures, including estimated pension liabilities, serves as a solid foundation for advances in financial risk management. On the whole, the adoption of financial statements based on accrual-basis accounting will help enhance national credibility by improving the transparency and reliability of its accounting system.