

S.Korean c. bank cuts 2012 growth outlook to 3 pct

SEOUL, July 13 (Xinhua) -- Bank of Korea (BOK), South Korea's central bank, on Friday cut its 2012 economic growth outlook for the country to 3 percent from an earlier estimate of 3.5 percent, citing global economic slowdown and external uncertainties caused by Europe's debt crisis.

The BOK revised down its outlook for the country's gross domestic product (GDP) growth to 3 percent, down from 3.5 percent estimated in April. The Asia's No.4 economy was forecast to grow 3.8 percent in 2013, down from a prior estimate of a 4.2 percent expansion, according to the BOK.

The revision came after the central bank unexpectedly lowered its benchmark 7-day repo rate by 25 basis points (bps) to 3 percent on Thursday, the first rate cut in 13 months.

Market watchers expected the BOK to sharply lower its growth outlook as the unexpected rate cut reflected the worsening of the bank's views over the country's future growth path.

"We were not too surprised at the rate cut coming a bit earlier than expected. The move supports the view that the BOK will cut its 2012 GDP growth forecast from 3.5 percent to about 3.0 percent," Kwon Young-sun, an economist at Nomura in Hong Kong, said in a report.

The BOK attributed the outlook downgrade to external uncertainties. The bank said jitters in the global financial market will last due to uncertainties stemming from the euro area's fiscal crisis, noting that growth in both advanced and emerging economies will slow down.

"Uncertainties in the euro area are the biggest risk factor to restrict our economy's growth. We do not expect the uncertainties to deepen further in the second half, but external conditions will not be improved to a great extent," Shin Woon, director general of the BOK, told reporters.

The BOK forecast that private consumption will grow at a modest pace due to massive household debts and housing market slump that may offset an improvement in household's real purchasing power. The outlook for 2012 consumption in the private sector was projected to grow 2.2

percent this year, down from a prior estimate of 2.8 percent.

The 2012 outlook for facility investment growth was downgraded from 6.2 percent to 5.8 percent, and the outlook for investment in the construction sector was cut from 2.8 percent to 1.6 percent.

South Korea's exports to the European Union (EU) and China were projected to slow. Forecast for 2012 goods export growth was lowered to 4.4 percent from an earlier forecast of 4.8 percent.

The BOK, however, projected the exports to expand at a faster pace in the second half than in the first half due to the expected easing of the risks in Europe.

The outlook for 2012 goods import growth was downgraded from 4.5 percent to 3.8 percent, sending the current account surplus outlook to 20 billion U.S. dollars, up from 14.5 billion dollars estimated in April.

Meanwhile, the BOK cut its consumer price inflation outlook for 2012 from 3.2 percent to 2.7 percent, citing the expected fall in global commodity prices and negative output gap. The import price for crude oil was forecast at 107 U.S. dollars a barrel in 2012, down from an earlier forecast of 118 dollars.

The central bank cautioned over the below-potential growth, saying that the domestic economy will sustain a negative output gap over a long period time. The output gap, or the GDP gap refers to the difference between potential GDP and actual GDP. The negative output gap means actual GDP growth stays below the one for potential GDP.

The country's labor market was expected to show better performance. The number of people employed was predicted to increase by 380,000 in 2012, revised up from an earlier estimate of 350,000 jobs created. The outlook for the 2012 jobless rate was unchanged at 3.3 percent, but the 2013 outlook was revised down from 3.3 percent to 3.2 percent.