

S. Korea's economic growth hits 3-year low in Q3

SEOUL, Oct. 26 (Xinhua) -- South Korea's economic growth hit a three-year low in the third quarter due to sluggish facility investment by companies that remained worried about lingering external uncertainties, data by the central bank showed Friday.

Real gross domestic product (GDP), the broadest measure of economic performance, grew 0.2 percent in the third quarter from the previous quarter, according to an advance estimate by the Bank of Korea (BOK). The figure was the lowest since the fourth quarter of 2009 when it recorded the same growth rate.

The country's GDP growth rebounded to 0.9 percent in the first quarter from 0.3 percent for the fourth quarter of last year, but it continued to decline this year to 0.3 percent in the second quarter and 0.2 percent in the third quarter.

From a year earlier, the real GDP advanced 1.6 percent, the lowest since a 1.0 percent expansion for the third quarter of 2009. The reading was lower than 2.3 percent in the previous quarter.

The third-quarter GDP underperformance was mainly attributable to slowing facility investment by businesses that were reluctant to spend capital in expanding their factories amid lingering uncertainties. "Private consumption expanded and export growth turned into positive terrain in the third quarter. But, facility investment kept its negative growth trend," the BOK said in a statement.

The disappointing result was widely expected as the central bank slashed earlier this month its 2012 economic growth outlook for the country to 2.4 percent from an earlier estimate of 3 percent. The bank blamed the prolonged European fiscal crisis and the potential U.S. fiscal cliff for the downward revision.

Reflecting the dimmer economic outlook, the BOK cut its policy rate by 25 basis points (bps) to 2.75 percent at the October rate-setting meeting after unexpectedly lowering the rate by the same margin in July. BOK Governor Kim Choong-soo said that the rate cut arose mainly from the worsening economic outlook.

Market watchers said that the Asia's No.4 economy may have bottomed during the third quarter given signs of recovery in China and the United States as seen in the latest batches of economic indicators. "The economy appears to have bottomed during the third quarter. The falling pace of exports slowed substantially in September. And, the economies of Korea's major export markets are showing signs of recovery," said Suh Dae-il, an economist at Daewoo Securities.

Private consumption rose 0.6 percent on-quarter in the third quarter, higher than a 0.4 percent growth in the prior quarter. Consumption in the public sector grew 0.9 percent during the quarter, turning around from a 0.3 percent reduction for the second quarter.

Both exports and imports rebounded. Export growth reached 2.5 percent in the third quarter on an on-quarter basis, turning around from a 0.6

percent fall in the prior quarter. Import growth rose from a minus 1.9 percent rise to a 1.7 percent expansion over the same period.

Investment in the construction sector rose 0.2 percent in the third quarter from the previous quarter, but facility investment kept its downward trend with a 4.3 percent on-quarter decline.

"Fiscal expenditure by the government contributed significantly to block the sharp economic slump. The positive growth in the construction investment was helped largely by the government's fiscal spending," Kim Young-bae, director general of the BOK's economic statistics department, told reporters.

Kim noted that there lacked of momentum for local companies to take active facility investment due to external uncertainties such as the European fiscal crisis and the U.S. fiscal cliff potential, saying that facility investment is also affected by export conditions.

Inventory reduced 0.5 percent on-quarter in the third quarter, indicating that the country's GDP growth might have risen further without the inventory adjustment. "The minus growth of inventory has a significant meaning for the future growth. The reduction in inventory means that production has room to grow in the fourth quarter as it already experienced adjustment," said Kim.

On the production side, output in the manufacturing industry retreated 0.2 percent in the third quarter, keeping its downward trend for two straight quarters.

Production in the construction sector rebounded to 2.9 percent in the third quarter, and the service industry output managed to increase 0.1 percent.

Real gross domestic income (GDI), which gauges purchasing power in accordance with changes in terms of trade, grew 1.2 percent on- quarter in the third quarter, up from a revised 0.9 percent rise for the second quarter.