

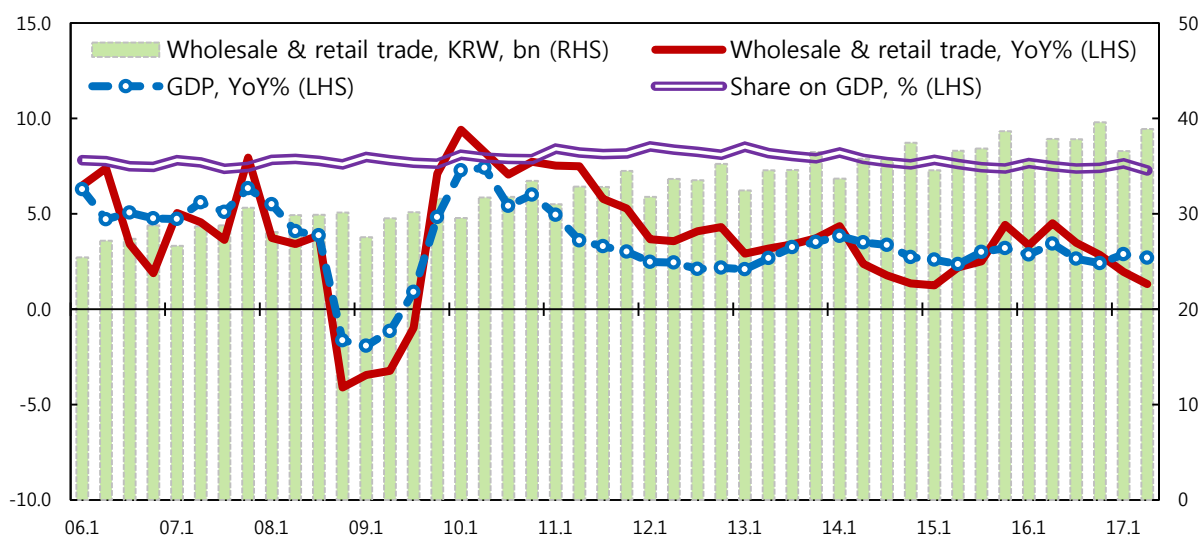
REPUBLIC OF KOREA

COUNTRY REPORT FOR THE 2017 SIAP REGIONAL WORKSHOP

MAJOR AREAS OF CONCERN

Service Industry Statistics (Wholesale & Retail trade).

Wholesale & retail trade is a biggest part in service industry, deeply connected with consumers spending pattern, CPI and PPI. It is consisted with many sub-sectors of services that is closely linked to people's economic activity and country's economic structure.



Consumer Survey Index.

Consumer Survey Index is a sentimental indicator of consumer's decision and forecast about economic situation. Since consumer is a main agent of economic activity and judgement and prospect of economic agents make a significant impact on national economy, CSI is an important indicator for policy-making decisions. Contrary to existing statistics which hardly catch a psychological factors, CSI can measure those invisible factors quicker than any other indicators.

Business Survey Index.

BSI reflects entrepreneurs' perception of economic situation, forecasting for future and decision making on their business. The Bank of Korea assemble result of business surveys to an index, and utilize it as a tool for short term indicator of economic cycle.

Service Industry Statistics (Wholesale & Retail trade).

1. The wholesale and retail trade industry refers to the industrial activities of reselling new and used goods to consumers, enterprises, other wholesalers and retailers without any product transformation. Industries in wholesale and retail trade provide the following services: assorting, repackaging, label attachment, and product delivery.
2. The wholesale and commission trade industry includes the following professionals: wholesalers who possess ownership of products and sell the products to retailers; industrial suppliers who supply goods to industrial companies and groups; exporters, importers, and dealers of used goods; and commodity brokers who have no ownership of goods but sell or purchase goods as agents.
3. The retail industry includes the following activities: establishing display shops and selling goods to consumers; door-to-door home sales, delivery sales, consumer cooperatives, mobile sales, and sales by communication media, hawkers and peddlers, and auctions.
4. However, should a company provide raw materials to another manufacturer for the manufacture of a product that will be returned and sold under the initiating company's responsibility, that transaction is classified as manufacturing, not wholesale or retail trade. This is because transformation of the product has occurred. A company that manufactures and sells specific goods for individuals, household consumption and the general public is also classified as manufacturing, not as part of the retail trade industry. The sale of food for immediate consumption is part of the food service sector. Supplying gas from a pipeline facility is classified as the manufacture of gas and distribution of gaseous fuel through a system of mains.
5. The wholesale and retail trade industry can also be classified into agricultural, forestry, livestock, fishery goods, mining products, and industrial goods according to the commodities traded.

Estimation Method in Reference Year

- ✓ The output of wholesale and retail trade refers to the total trade margin¹²⁾ realized from goods that wholesalers and retailers purchase for the purpose of resale. The total trade margin is calculated by deducting purchase amount from sales amount.¹³⁾ The trade margin includes not only trade conducted for ownership of goods, but also commissions received while performing brokerage activities without actual ownership of goods. Meanwhile, goods purchased for resale should be valued excluding any transport charges invoiced separately by the suppliers or paid to third parties by wholesalers or retailers; these transport services form part of the intermediate consumption of wholesalers or retailers.

- ✓ In the national accounts, the margin, the output of wholesale and retail trade, is estimated by summing the trade margin of each commodity. The main data source is the Economic Census released by Statistics Korea. Output for the restaurant and hotel industry is also measured based on the Economic Census.
- ✓ Value added is estimated by multiplying the output by the value added ratio. The components of value added such as compensation of employees, consumption of fixed capital, and operating surplus are obtained using input-output tables of the reference year.

Estimation Method in Current Year

- ✓ Annual estimations of nominal output, intermediate consumption, and value added are the same as the reference year's estimation methods, and utilize the Report on the Wholesale and Retail Trade Survey put out by Statistics Korea.
- ✓ In principle, real output is computed by dividing the current output by the appropriate deflators corresponding to each item.
- ✓ Real output of wholesale and retail trade is obtained by deducting the real cost of goods sold from real sales. The value of real sales is estimated by dividing the current sales by the deflators of corresponding industries, using CPI, PPI, EPI, and the ratios of the selling place by industry. The value of real cost of goods sold is derived by dividing the current cost by appropriate deflators such as CPI, PPI, IPI, and the ratios of the purchasing place by industry. CPI is used for the restaurant and hotel industry.
- ✓ The double deflation method is used to estimate value added. Therefore, real value added is obtained by deducting real intermediate consumption from real output.

Data Sources

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|------|--|-------------------------|
| i. | Economic Census | : statistics Korea |
| ii. | Report on the Wholesale and Retail Trade Survey
(Including accommodation and food service activities) | : statistics Korea |
| iii. | Financial Statements of Corporations and Individuals | : National Tax Service |
| iv. | Monthly Report on the Index of Services | : Statistics Korea |
| v. | Exports and Imports | : Korea Customs Service |

Consumer Survey Index.

Outline

The Consumer Survey is carried out for use in the analysis and forecasting of economic conditions by processing information collected through surveys of consumer sentiment regarding economic conditions and prospective spending.

The findings are useful for gaining more precise expectations of near-term future movements of household expenditures.

Scope of Data

The population of the Survey is ordinary households of every city nationwide, with the sample size 2,200 households.

The Survey targets the heads of the households.

Periodicity

Monthly (since July 2008), Quarterly (Q3.1995 ~ Q2.2008)

Source Data

Survey method: Mail and e-mail (self-response questionnaires); some households that do not return the questionnaires are subsequently interviewed by telephone.

Survey items:

Compilation Practices

A Consumer Survey Index is produced for each question, by average weighting of all responses to that question.

For each question, there are five optional responses with the following weights:

- Considerably Better (Increased) : 1.0
- Slightly Better (Increased) : 0.5
- Similar : 0.0
- Slightly Worse (Decreased) : -0.5
- Considerably Worse (Decreased) : -1.0

The base CSI level is 100.

<Example> Current Living Standards CSI formula and interpretation

Current Living Standards CSI =

$$100 + [C.B. \times 1.0 + S.B. \times 0.5 - S.W. \times 0.5 - C.W. \times 1.0]$$

(C.B. means the percentage of respondents who have answered "Considerably Better" in response to the question.)

Values above 100 indicate that those believing that their living standards has improved outnumber those believing theirs to have grown worse.

Business Survey Index.

Outline

The main purpose of the Business Survey is to provide indicators of short-term business conditions for economic policymakers and business managers, through surveys of business managers' views on general business conditions and their expectations for the future.

Scope of Data

Industrial coverage: 23 manufacturing sub-sectors, and 13 non-manufacturing sectors including fishing, mining, waste management & materials recovery, electricity & gas, construction, wholesale & retail trade, hotels, transport & storage, and other service industries

The survey's subject population comprises the 160,929 domestic for-profit corporations with the highest sales volumes during fiscal 2013, who together accounted for 95% of all corporate sales that year.

Periodicity

Monthly (since Jan. 2003), Quarterly (Q2.1991 ~ Q4.2002)

Source Data

Survey items: Judgement level items, Judgement of direction of change items

Judgement level items: Business Conditions, Finished Goods Inventory Level, production Capacity, Equipment Investment, and Number of Employees

Judgement of direction of change items: New Orders, Production Sales, Profitability, Sales Prices of Finished Goods, etc.

Compilation Practices

Population: 160,929 domestic for-profit corporations with the highest sales volumes during fiscal 2013, who together accounted for 95% of all corporate sales that year.

Sub-populations are stratified by industry and by size, and the sample size for each stratum is then determined by Lavalley-Hidirogrou stratified random sampling.

The Business Survey Index is calculated as follows:

- BSI by industry
= [(Proportion of positive responses - Proportion of negative responses) × 100] + 100
- Upper category BSI (all industries, manufacturing sector, non-manufacturing sector)
= $\sum w_i \times BSI_i$ (i = industry; w_i =weight by industry)

An index value above 100 indicates that the conditions for business are positive, while one below 100 indicates negative conditions.