

## Foreign Direct Investment

### Korea emerges as test market for overseas fashion brands

Overseas fashion brands are entering the South Korean market, which has become an important test market for success.

According to sources from the fashion industry on July 18, many foreign fashion brands, including Alo Yoga, On, Brandy Melville, Human Made, and Harley-Davidson Collections, will officially begin sales in Korea starting in September.

Most of these brands are conservative in opening stores as they pursue a policy of scarcity, which makes them a hot topic among fans whenever they open a new store.

Industry insiders note that the reason the brands are choosing Korea is that Korea has emerged as a strategic stronghold in

the Asian market. They expect the high buzz of Hallyu, or Korean Wave, the strong purchasing power of young Korean people, and the tremendous power of social media to drive their global marketing.

French brands Ami and Maison Kitsune, which gained attention in the global fashion market after becoming popular in Korea as a new luxury, have already set good precedents.

According to a report published by market research firm Trend Research Inc., the Korean fashion market has been growing steadily since 2000. The market is projected to grow to KRW 49.6 trillion (USD 35.8 billion) this year from KRW 48.4 trillion in 2023.

## Trade & Commerce

### Small Korean exporters number record 77,000

The number of small and medium-sized exporters in S. Korea now total a record high of 77,078 companies in the first half of 2024. This surge in SME exports was primarily driven by the cosmetics and semiconductor equipment sectors.

According to a report released by the Ministry of SMEs and Startups on July 24, S. Korean exports by SMEs totaled USD 57.1 billion in the first half of 2024, up 4.4 percent from a year ago. The top export

item, cosmetics, saw a record-breaking half-year export value of USD 3.3 billion and SME exports have been on an upward trajectory for three consecutive quarters since the fourth quarter of 2023.

Eight out of the top 10 export items saw year-on-year growth. Cosmetics, the leading export product, saw its market diversify beyond its mainstays of the United States and China, expanding into emerging markets such as Southeast Asia.

### Korea's pharmaceutical, biotechnology exports spike 55 pct on-year in H1

S. Korea's exports of pharmaceutical and bio technologies surged from a year earlier in the first half of the year, according to data from the Korea Pharmaceutical and Bio-Pharma Manufacturers Association.

In the first six months of the year, the country exported KRW 4.5 trillion (USD

3.3 billion) worth of pharmaceutical and bio technologies, up 55 percent from KRW 2.9 trillion for the same period last year. At the current rate, the country's annual total is expected to reach KRW 8 trillion, according to the association.

## Industry

**ADB raises Korea's 2024 growth forecast to 2.5 pct**

The Asian Development Bank (ADB) revised up its outlook for S. Korea's economic growth this year to 2.5 percent given strong exports, Seoul's finance ministry said on July 17. It marked a 0.3 percentage-point increase from its April forecast.

The latest projection is on par with that made by the International Monetary Fund and the Bank of Korea. The S. Korean government and the Organization for Economic

Cooperation and Development presented a 2.6 percent expansion.

The Manila-based bank maintained the growth outlook for 2025 at 2.3 percent and kept the forecast for inflation for this year unchanged at 2.5 percent and 2 percent for next year.

The ADB said the rosier forecast came as exports remained strong on rising demand for semiconductors, among other items.

**Korea's top 5 financial groups achieve record half-year profit**

S. Korea's five major financial groups have reported a record half-year net profit exceeding KRW 11 trillion (USD 7.9 billion), driven by unprecedented interest income surpassing KRW 25 trillion primarily from banks. Additionally, non-interest income has increased and the profitability of non-banking sectors has improved, con-

tributing to these strong results.

As of July 26, the combined net profit for the first half of the year for Shinhan, Hana, NH Nonghyup, KB, and Woori financial groups was KRW 11.1 trillion, up 2 percent from KRW 10.9 trillion recorded a year ago, which is a new half-year record.

## Government &amp; Policy

**Korea to raise R&D budget, enhance global research collaboration**

The S. Korean government has unveiled a blueprint to transform the country into a global hub for international cooperation in science and technology.

The key to this strategy is a significant increase in global research and development (R&D) investment, aiming to raise it to 6-7 percent of the entire R&D budget. The plan also includes the establishment of relevant legal frameworks and the strengthening of overseas collaboration bases.

The Ministry of Science and ICT an-

nounced these plans on July 10 during The 2nd World Congress of Korean Scientists & Engineers held in Seoul. The policy directions are aimed at bolstering international cooperation in science and technology as geopolitical competition over technological dominance intensifies among major global powers.

The strategy includes plans for global R&D initiatives, international scientific diplomacy, and support for the overseas expansion of Korean tech firms.

**Korea elected as inaugural chair of crisis response network**

S. Korea's Ministry of Trade, Industry, and Energy said on July 30 that the country was elected as the inaugural chair of a body dedicated to addressing supply chain crises under the Indo-Pacific Economic Framework (IPEF).

Korea will lead the Crisis Response Network (CRN), one of three arms of the IPEF's Supply Chain Agreement, according to the industry ministry. Japan will serve as the vice chair of the CRN.

The IPEF was launched in May 2022 under the leadership of the Joe Biden administration in the United States, aiming to counter China's influence in the region and build an economy and trade order centered around the participating countries. The framework includes 14 countries: the United States, Korea, Japan, Australia, India, Thailand, Singapore, New Zealand, and Fiji, among others.