

I. The Economy of Seoul

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I. The Economy of Seoul

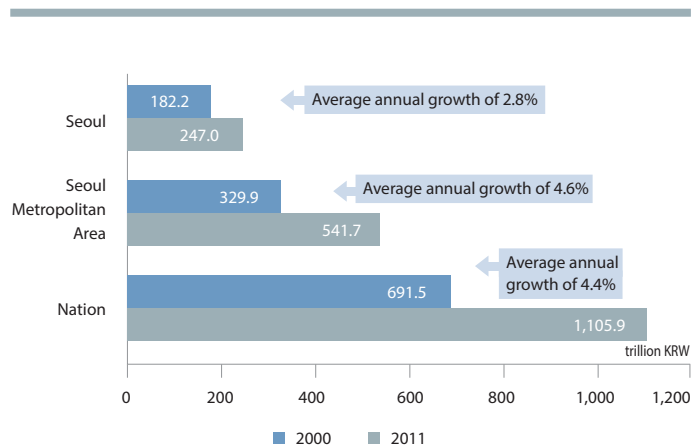
1. The Economy Based on Indices

1.1. Gross Regional Domestic Product (GRDP)

GRDP of Seoul increased at an average annual rate of 2.0% for 3 years and was recorded at 247 trillion KRW in 2011

The gross regional domestic product (GRDP) of Seoul (based on the standard price of 2005) increased at an average annual growth rate of 2.8% from 182.2 trillion KRW in 2000 to 247.0 trillion KRW in 2011. This is 1.6%p lower than the national GDP's average annual growth rate of 4.4% and 1.8%p lower than 4.6%, the average annual growth rate of the GRDP of the Seoul Metropolitan Area. Accordingly, the proportion of GDP accounted for by Seoul decreased from 26.3% in 2000 to 22.3% in 2011. Of particular note, there has been a prolonged period of low growth, evidenced by the fact the average annual growth rate of GRDP of Seoul in the last 3 years stayed at 2.0%, due to the decline in domestic consumption and global economic recession.

Fig. 1-1 GRDP by region



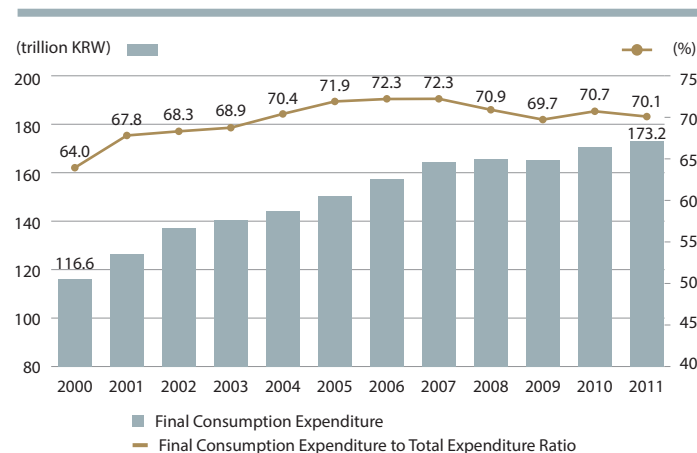
Note : Standard price of 2005
Source : Statistics Korea, Regional Income Survey, KOSIS (2000, 2011)

1.2. Final Consumption Expenditure

The final consumption expenditure in Seoul was 173.2 trillion KRW, accounting for 70.1% of the total expenditure, as of 2011

The final consumption expenditure, accounting for the most significant part of the total expenditure in Seoul, increased by 3.7% on average annually from 116.6 trillion KRW in 2000 to 173.2 trillion KRW in 2011. This is 1.9%p higher than 2.8%, the growth rate of the GRDP of Seoul within the same period, and this shows that the increase in consumption was higher than the increase in production.

Fig. 1-2 Final consumption expenditure



Note : Standard price of 2005
Source : Statistics Korea, Regional Income Survey, KOSIS

1.3. Net Shipping-out of Goods and Services

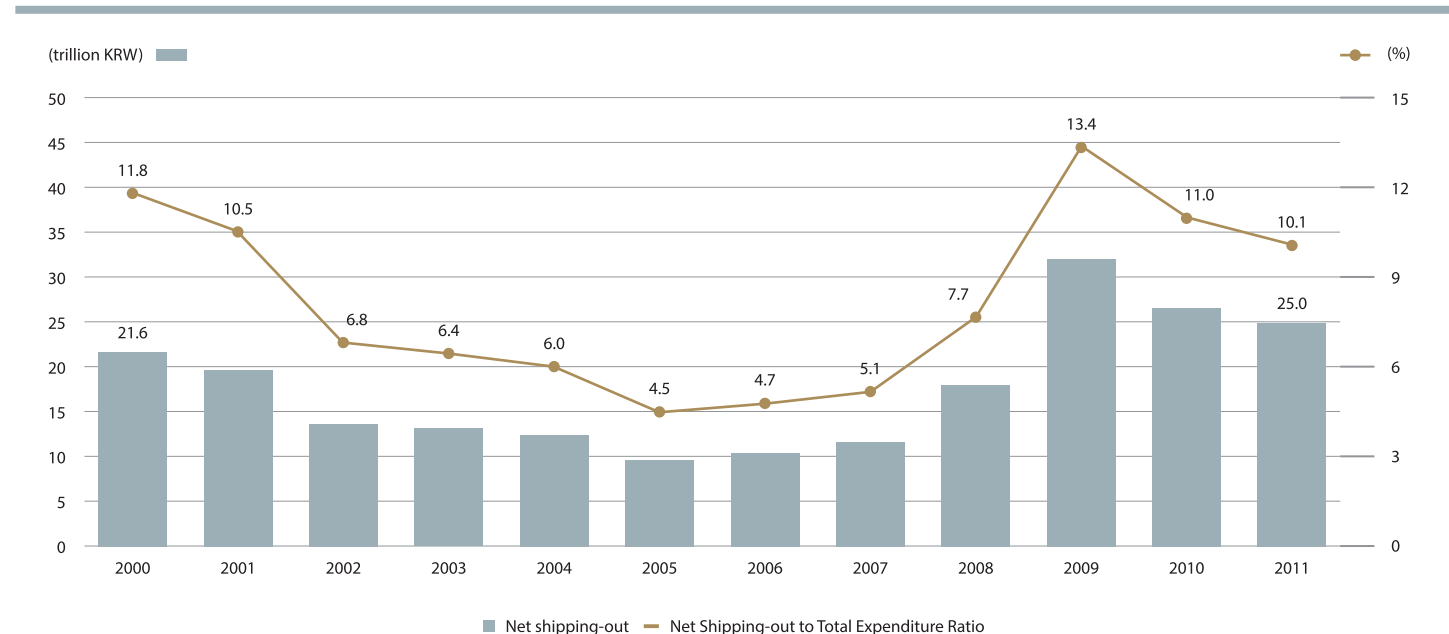
The net shipping-out from Seoul is 25.0 trillion, accounting for 10.1% of the total expenditure, as of 2011

The net shipping-out of goods and services from Seoul was 25.0 trillion as of 2011. This means that the volume of goods and services being shipped out of the region was higher than that being shipped into the region. In other words, one-tenth of the total expenditure was shipped out of the region, and a significant amount of consumption in Seoul was dependent not only on the local demand but also the demand outside the region.

Positive net shipping-out from Seoul and continued shipping-out

The net shipping-out in Seoul has been a positive value since 2000. The net shipping-out value, which slightly declined with the economic recovery in 2000, increased substantially during the 2009 financial crisis, and it accounts for about 10% of the total expenditure in Seoul at present.

Fig. 1-3 Net shipping-out



Note : Standard price of 2005
Source : Statistics Korea, Regional Income Survey, KOSIS

1.4. Added Value by Industry

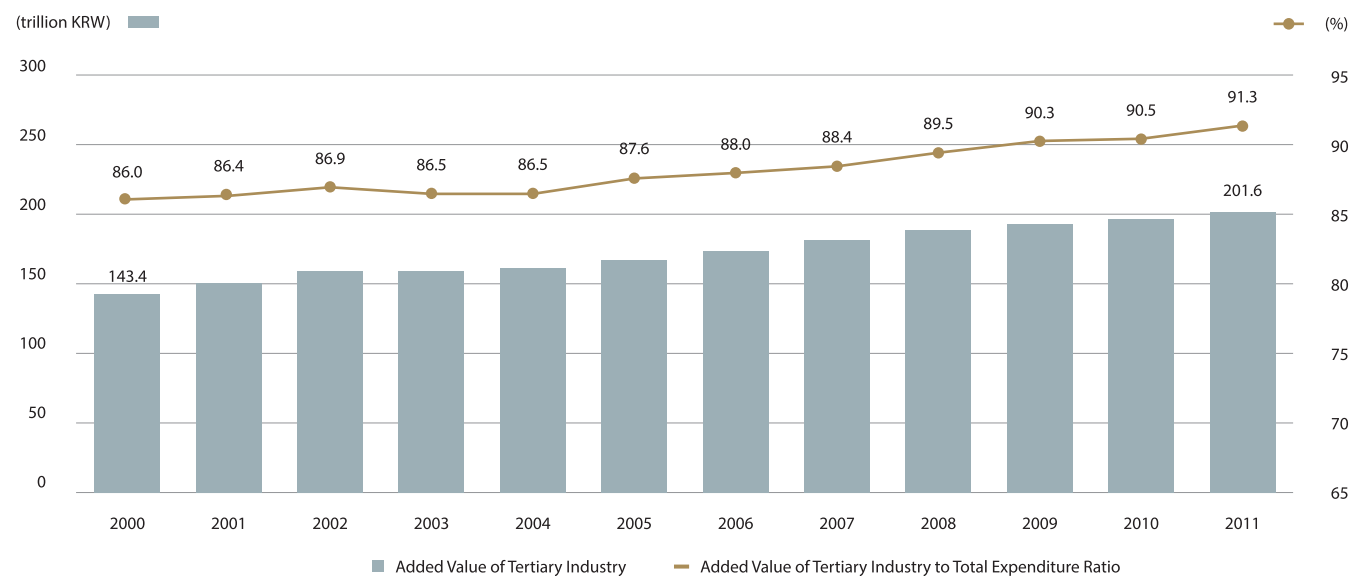
The added value generated in Seoul was 220.9 trillion KRW as of 2011 and the tertiary industry accounts for 91.3%

In 2011, the added value generated in Seoul (standard price of 2005) was 220.9 trillion KRW, of which 0.2% arose from the primary industry, 8.6% from the secondary industry and 91.3% from the tertiary industry. The added value generated in the tertiary industry of Seoul increased by 3.1% annually on average from 143.4 trillion KRW in 2000 and 201.6 trillion KRW in 2011. This was 0.3%p higher than the total GRDP growth rate of Seoul (2.8%), and this shows that the growth rate of the tertiary industry was higher than that of other industries.

The average annual rate of increase in the added value of the tertiary industry of Seoul was 3.1%, which was 0.8%p lower compared to that of the nation

The average annual rate of increase (from 2000 to 2010) in the added value of the tertiary industry of Seoul was 3.1%, which was 0.8%p and 1.0%p lower compared to that of the nation (3.9%) and the Seoul Metropolitan Area (4.1%). However, as described earlier, considering that the GRDP growth rate in other regions was substantially higher than Seoul, the growth rate of the tertiary industry of Seoul was far ahead of other regions.

Fig. 1-4 Trends in the tertiary industry



Note : Standard price of 2005
Source : Statistics Korea, Regional Income Survey, KOSIS

2. The 5 Main Characteristics of the Economy

The economic situation in Seoul is characterized by three "lows" (low growth, low investment and low prices) and two "highs" (high unemployment rate and high debt). These phenomena are expected to continue for an indefinite amount of time due to the global economic recession and the low growth of the national economy as a result of the growing economic uncertainties.

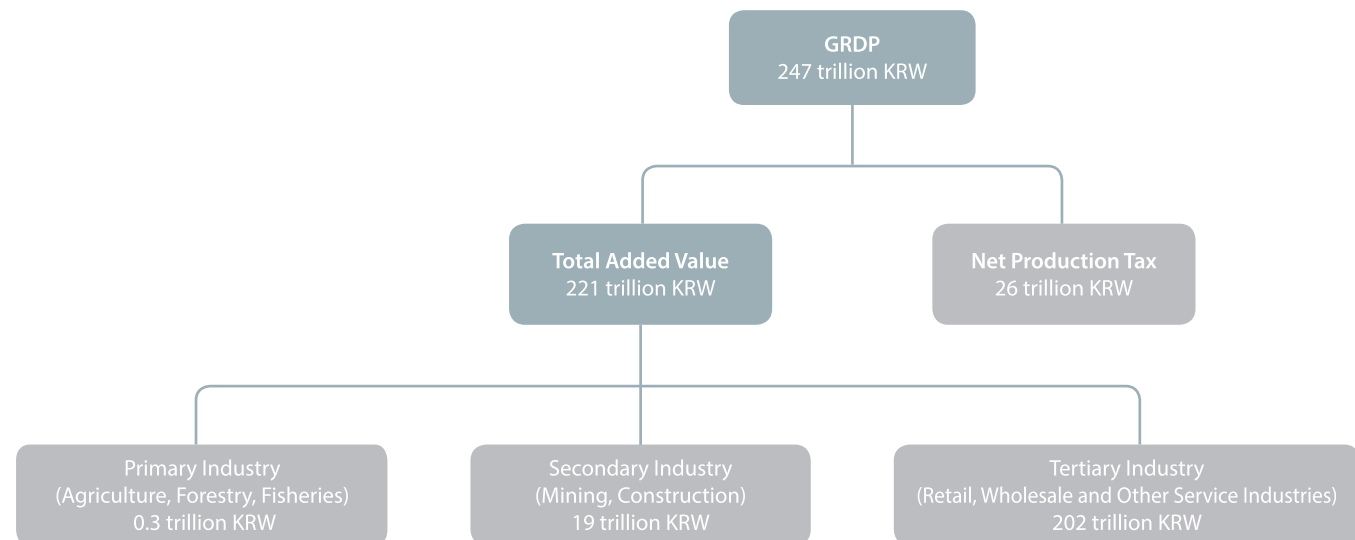
2.1. Low Growth

2.1.1. Continued Trend of Low Growth

Poor resilient growth due to the domestic economic slowdown

Economic growth means a steady rise in the production of goods and services resulting from increased productivity and market expansion, etc. The global economic recession resulting from the 2008 U.S. financial crisis and the 2009 European financial crisis has played a factor in the general unrest and anxiety in relation to the economic outlook. Accordingly, exports and domestic consumption have declined simultaneously and the low growth of the domestic economy has been continuing on. Of particular note, Seoul, which is heavily dependent on the service industry, has shown considerably low growth compared to other regions of Korea, with poor resilient growth.

Fig. 1-5 GRDP, 2011



Source : Statistics Korea, Regional Income Survey, KOSIS

2.1.2. GRDP

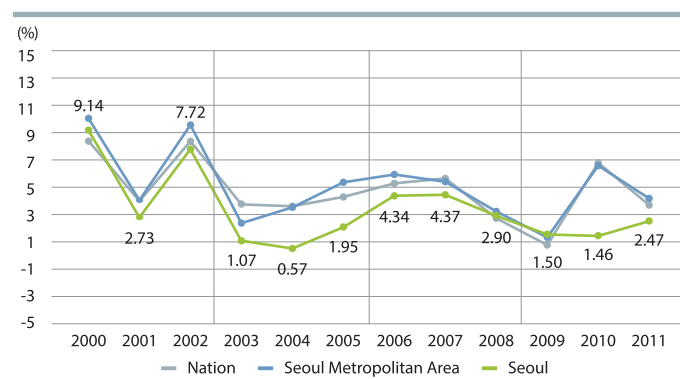
The average annual increasing rate in the GRDP of Seoul was low at 2.8%

The average annual increasing rate in the GRDP of Seoul (from 2000 to 2011) was 2.8%, which was 1.6%p and 1.8%p lower than that of the nation (4.4%) and the Seoul Metropolitan Area (4.6%). The rate of increase in the GRDP of Seoul has been lower than that of the nation and the Seoul Metropolitan Area for the most of the time period since 2000. Of particular note, the gap was over 3.0%p in 2004 and 2010, indicating sluggish economic growth.

The GRDP of Seoul was 247.0 trillion KRW in 2011, with the wholesale and retail industries accounting for 16.7%

In 2011, the GRDP of Seoul was 247.0 trillion KRW (standard price of 2005), comprised of 220.9 trillion KRW in total added value and 26.1 trillion KRW in net production taxes. The industry accounting for the biggest portion of the total added value generated in Seoul was the wholesale and retail industry (36.8 trillion KRW), which generated 16.7% of the total added value. It was followed by financial and insurance (16.6%),

Fig. 1-6 Trends in GRDP



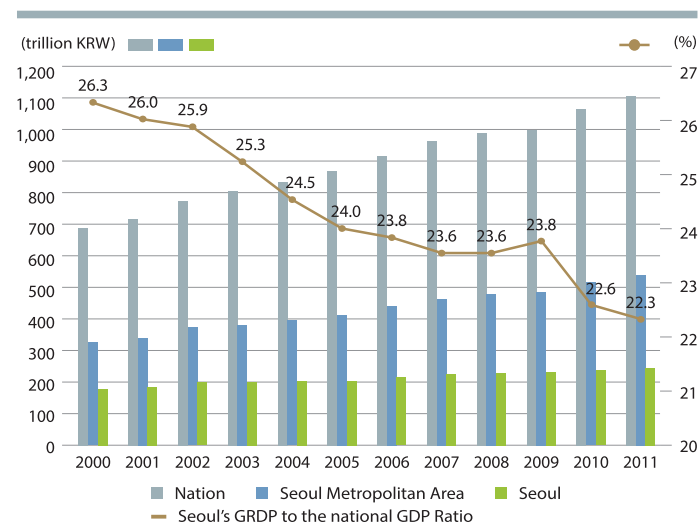
Note : Standard price of 2005
Source : Statistics Korea, Regional Income Survey, KOSIS

information and communications (11.4%), and business service (11.3%) industries.

The amount of GDP contributed by Seoul has been dropping since 2000

Although the GRDP of Seoul has continually been on the rise, its impact has been decreasing as its rate of increase is lower than that of other regions in the nation. The GRDP of Seoul increased at an annual rate of 2.8% on average from 182.2 trillion KRW in 2000 to 247.0 trillion KRW in 2011. On the other hand, the GDP of Korea increased at an average annual rate of 4.4% from 691.5 trillion KRW in 2000 to 1,105.9 trillion KRW in 2011. Accordingly, the amount of the national GDP contributed by Seoul decreased by 4.0%p from 26.3% in 2000 to 22.3% in 2011. Of particular note, there was a drop from 23.8% in 2009 to 22.3% in 2011 due to the recent economic downturn.

Fig. 1-7 Trends in GRDP



Note : Standard price of 2005
Source : Statistics Korea, Regional Income Survey, KOSIS

2.2. Low Investment

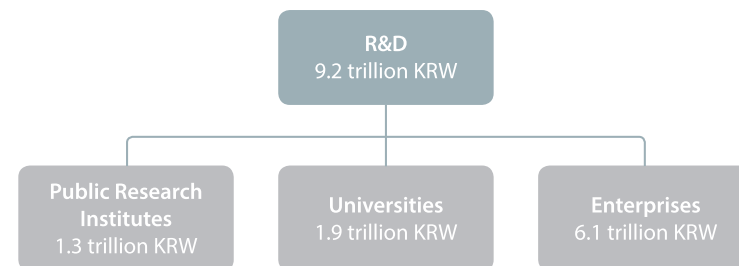
2.2.1. Stagnant Investment Incl. R&D Expenditures, etc.

Seoul's investment into the knowledge-based industries is relatively stagnant

The R&D expenditure (9.2 trillion KRW) in Seoul in 2011 accounted for 18.5% of the national R&D expenditures. The number of patent applications (44,000) filed from Seoul in 2012 accounted for 30.0% of the total patent applications in the

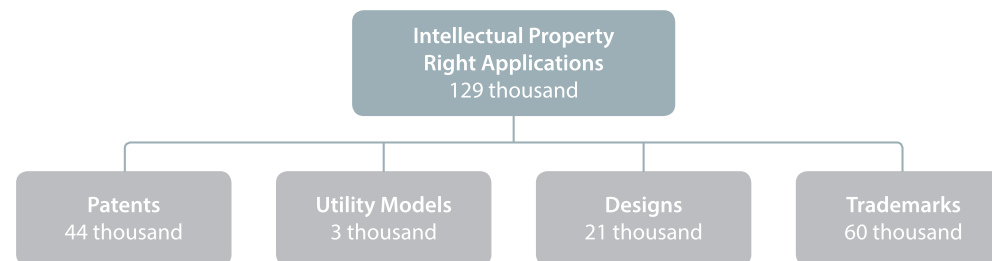
nation. In comparison, the R&D expenditure of Seoul increased at an average annual rate of merely 6.7% (2000 to 2011), which was 5.7%p lower than the nation (12.4%). Additionally, the number of patent applications filed from Seoul increased at an average annual rate of 6.9% (2000 to 2012), and this was also lower than the nation (8.4%) by 1.5%p.

Fig. 1-8 R&D expenditures, 2011



Source : Ministry of Science, ICT and Future Planning, R&D Activity Survey, KOSIS

Fig. 1-9 Intellectual property right applications, 2012



Source : Korean Intellectual Property Office (KIPO), Intellectual Property Statistics, KIPO website

2.2.2. R&D Expenditure

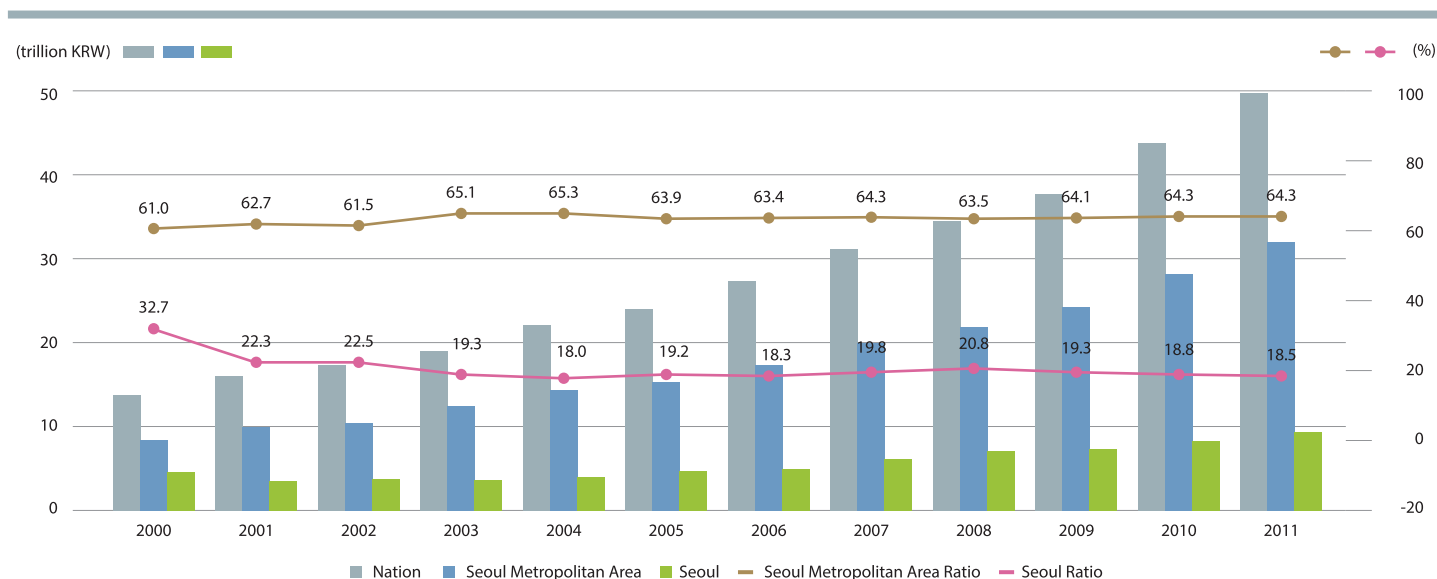
The R&D expenditure in Seoul in 2011 was 9.2 trillion, accounting for 18.5% of the national R&D expenditure

The R&D expenditure in Seoul in 2011 was 9.2 trillion, accounting for 18.5% of the national R&D expenditure, which stood at 49.9 trillion KRW. The R&D expenditure in Seoul increased rapidly at an average annual rate of 6.7% from 4.5 trillion KRW in 2000 to 9.2 trillion KRW in 2011, but this was 5.7%p and 6.2%p lower than that of the nation (12.4%) and the Seoul Metropolitan Area (12.9%), respectively.

The ratio of Seoul's R&D expenditure to the national R&D expenditure fell from 32.7% in 2000 to 18.5% in 2011

Although the absolute R&D expenditure in Seoul increased, its ratio to the national R&D expenditure has been decreasing as the R&D expenditures in other regions have been increasing at a faster rate. Accordingly, the ratio of Seoul's R&D expenditure to the national R&D expenditure fell from 32.7% in 2000 to 18.5% in 2011. On the other hand, the ratio of the R&D expenditure in the Seoul Metropolitan Area to the national R&D expenditure was fairly high at 63% due to the high rate of increase in the R&D expenditure in Gyeonggi Province (average annual rate of increase of 17.9%).

Fig. 1-10 Trends in the R&D expenditure



Note : Ratio to the national expenditure
Source : Ministry of Science, ICT and Future Planning, R&D Activity Survey, KOSIS

2.2.3. Number of Patent Applications

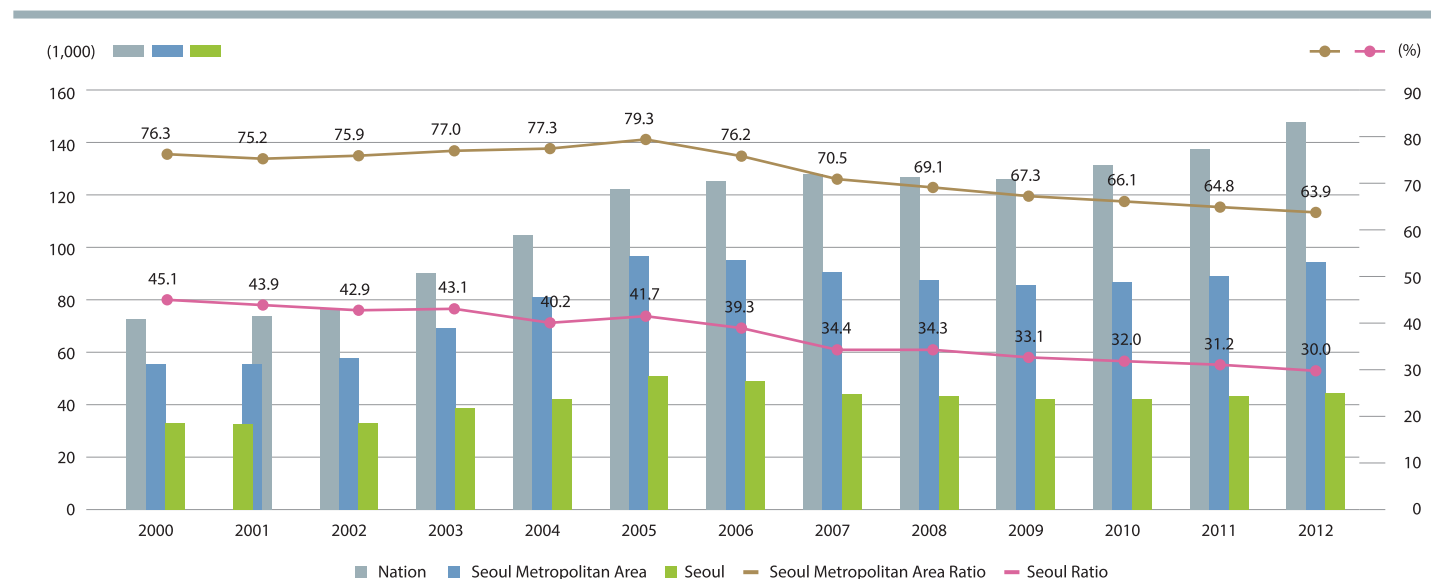
44,000 patent applications filed in Seoul in 2012, accounting for 30.0% of that of the nation

In 2012, 44,000 patent applications were filed from Seoul, and this accounted for 30.0% of all the patent applications filed nationwide (148,000). The number of patent applications in Seoul increased at an average annual rate of 6.9% (2000 to 2012), which was 1.5%p lower than that of the nation (8.4%) and similar to that of the Seoul Metropolitan Area (6.9%). While the number of patent applications in Seoul had increased in 2000 and onward, it dropped slightly to 51,000 in 2005 and has remained steady at around 43,000.

The ratio of patent applications in Seoul to that of the nation decreased from 45.1% in 2000 to 30.0% in 2012

While the number of patent applications in Seoul has remained stagnant since 2005, the number of patent applications in the nation has been increasing annually. Accordingly, the ratio of patent applications in Seoul to that of the nation has dropped from 45.1% in 2000 to 30.0% in 2012. The composition ratio of patent applications in the Seoul Metropolitan Area has also been falling, reaching 79.3% by 2005 and 63.9% by 2012. This slump is deemed to have resulted from the increased number of patent applications filed from other regions of the country such as Daejeon (KAIST) and Gyeongsangbuk-do Province (POSTECH).

Fig. 1-11 Trends in the number of patent applications



Note : Compared to the number of patent applications in the nation
Source : Korean Intellectual Property Office, Intellectual Property Statistics, KIPO website

2.3. Low Prices

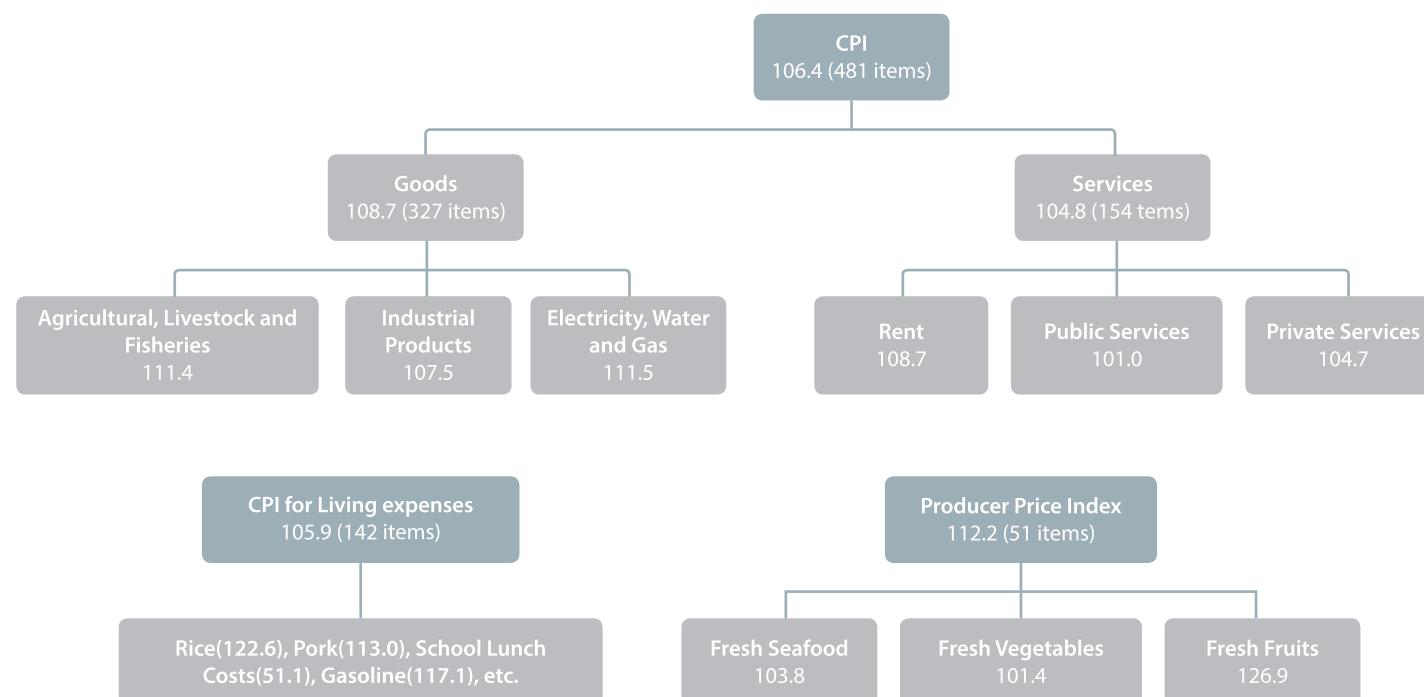
2.3.1. Price Stabilization Resulting from Economic Slowdown

The consumer price index in Seoul was 106.4 in 2012, with the prices of goods exceeding the prices of services

The consumer price index (based on 2010) in Seoul was 106.4 in 2012, with the goods price index and the service price index measured to be 108.7 and 104.8, respectively. Of the goods,

agricultural and livestock goods and electricity, water and gas price indices exceeded 111.0, while rent price index among services was found to be high at 108.7%. The Consumer Price Index (CPI) in Seoul was 0.5p higher than the CPI for living expenses (105.9) in 2012 and 5.8p lower than the producer price index (112.2).

Fig. 1-12 CPI (Consumer Price Index), 2012



Note : Price index based on 2010
Source : Statistics Korea, Survey on Consumer Prices, KOSIS

2.3.2. Consumer Price Index (CPI)

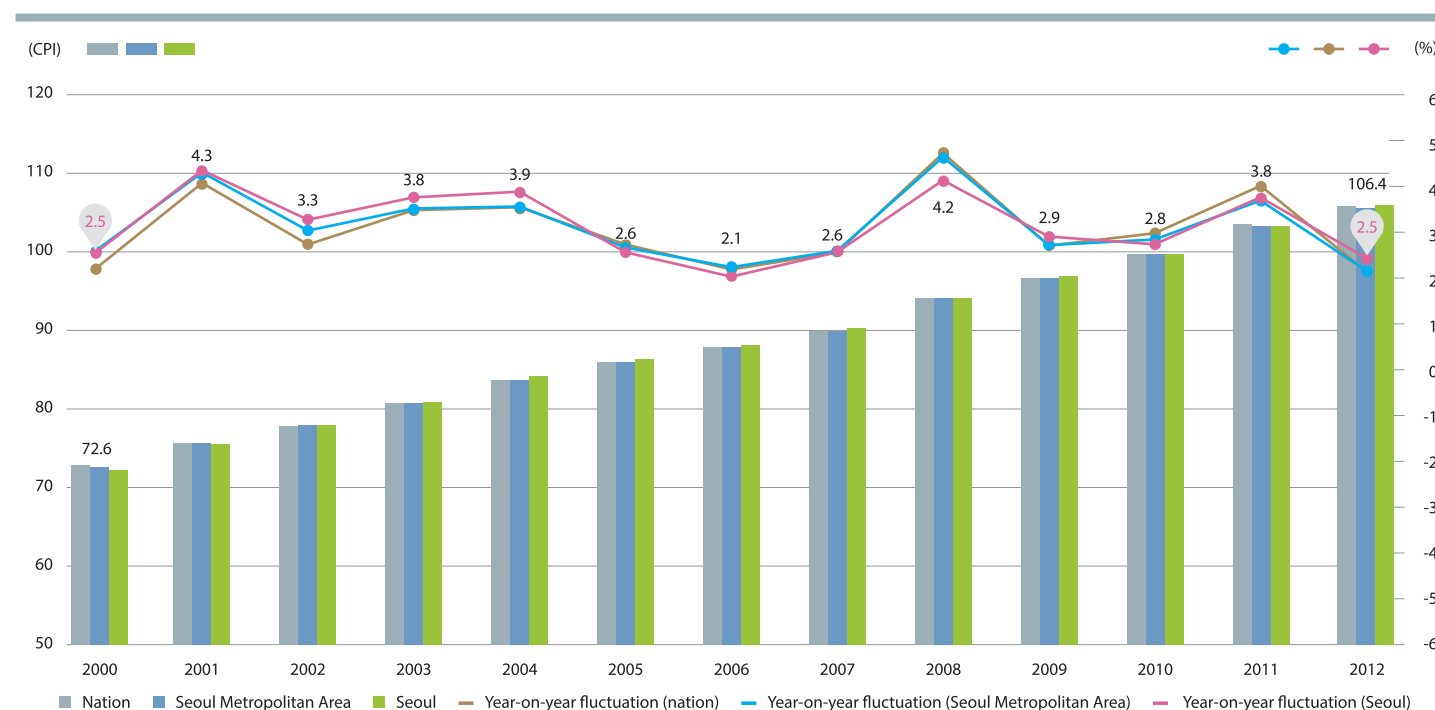
CPI of Seoul in 2012 was 106.4, which was 0.1p higher than that of the nation

The consumer price index (CPI) of Seoul was 106.4, which was 2.5% higher compared to the previous year. This was 0.1p and 0.4p higher than the CPI of the nation (106.3) and the Seoul Metropolitan Area (106.0), respectively. The average CPI in the period of analysis (2000 to 2012) was 89.2, which surpassed the average CPI of the national (89.1) and the Seoul Metropolitan Area (89.0) in the same period.

CPI of Seoul increased by 3.2% on average annually since 2000

The consumer price index (CPI) of Seoul increased steadily from 72.6 in 2000 to 106.4 in 2012, with an average annual fluctuation rate of 3.24 (2000 to 2012). This falls within the stable price range (2.5 to 3.5%) set forth by the Bank of Korea. The CPI of Seoul surged at a rate of 4% in 2001 and 2008, but the average fluctuation rate for the past 3 years (2010 to 2012) has been stable at 3.15.

Fig. 1-13 CPI trends



Note : Price index based on 2010
Source : Statistics Korea, Survey on Consumer Prices, KOSIS

2.3.3. CPI for Living Expenses

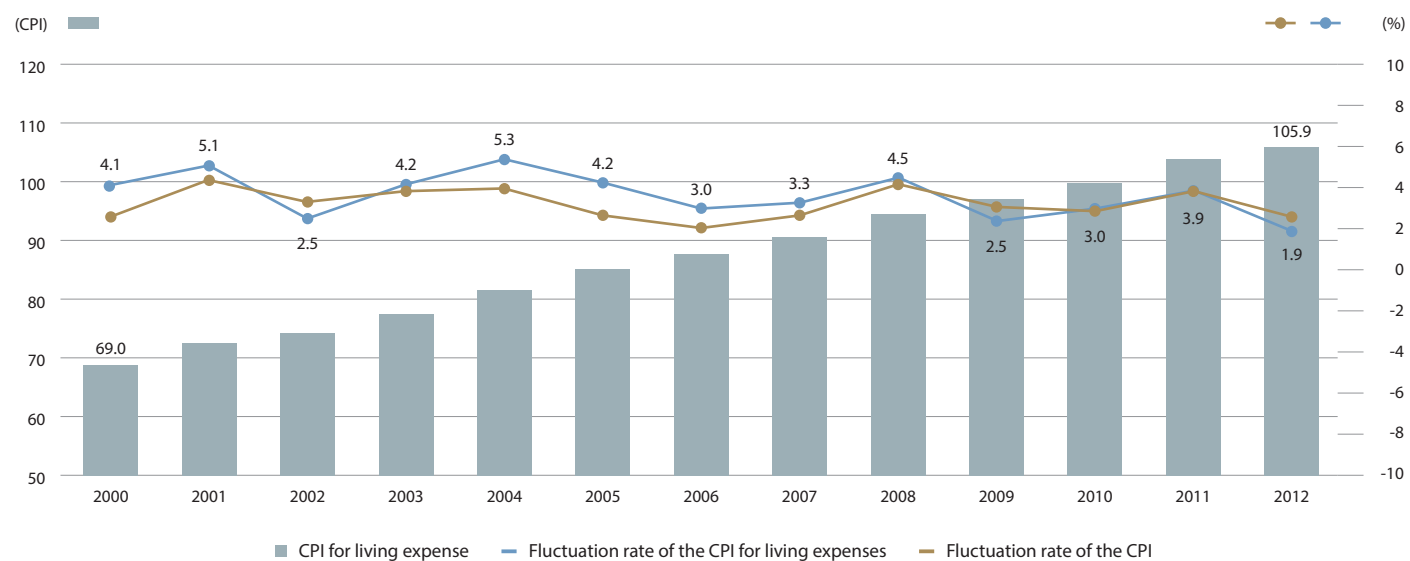
CPI for living expenses was 105.9 in 2012, which was 0.39p lower than the CPI

The CPI for living expenses, which consists of 142 items that are frequently bought, make up a large portion of expenditure, and is sensitive to price change. The CPI for living expenses increased by 3.63% annually on average from 69.0 in 2000 to 105.9 in 2012, and this was 0.39p lower than the CPI fluctuation rate of 3.24%. However, the CPI for living expenses (based on 2010) in 2012 was 105.9, which was 0.5p lower than the CPI of 106.4 and was shown to have become stabilized.

CPI for living expenses, becoming stabilized compared to the previous year

The fluctuation rate of the CPI for living expenses in Seoul compared to the previous year exceeded the fluctuation rate of the general CPI and it fluctuated in a similar pattern. From 2000 to 2008, except one year, the fluctuation rate of the CPI for living expenses exceeded that of the CPI between 2000 and 2008, except in one year. The rate of increase in the average CPI for living expenses in the recent 3 years (2010 to 2012) was 2.4%p lower than the rate of increase in the CPI (3.15%) within the same period and it was shown to have become stable.

Fig. 1-14 The trends in the CPI for living expenses



Note : Price index based on 2010, and fluctuation rate based on the previous year
Source : Statistics Korea, Survey on Consumer Prices, KOSIS

2.4. High Unemployment Rate

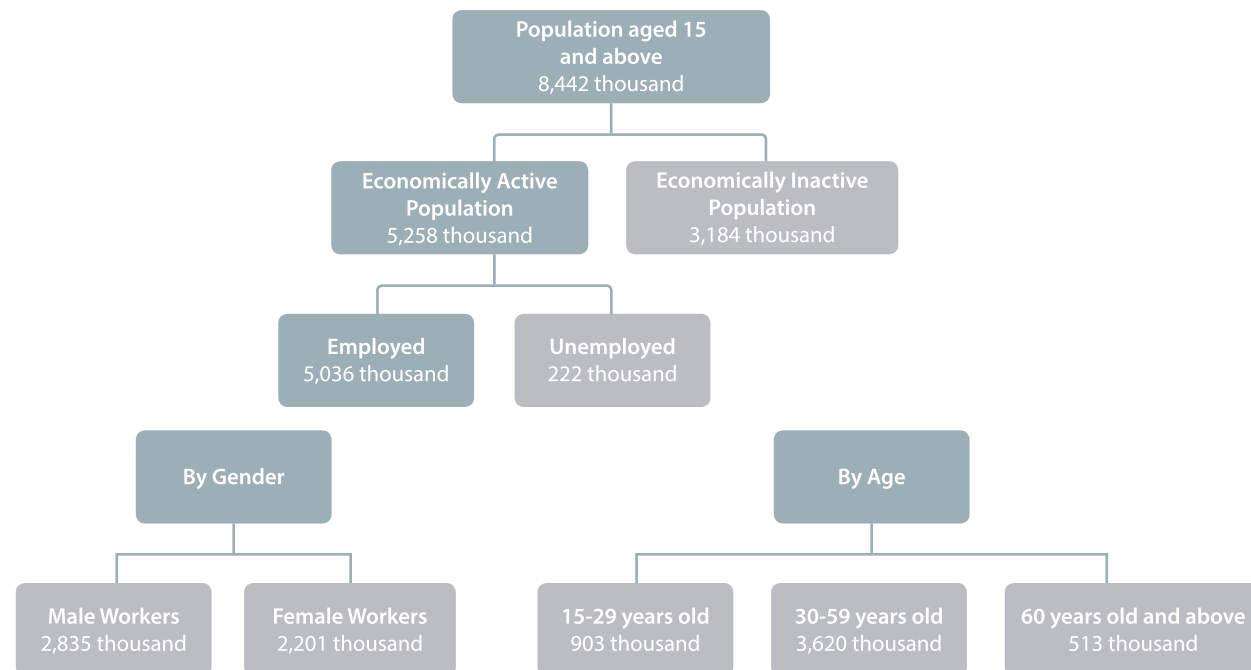
2.4.1. Intensification of the Unemployment Problem

The economically active population in Seoul in 2012 was 5.26 million (95.8% employed, 4.2% unemployed)

Although more than half of the employed population in Seoul are male workers (56.3%), the composition ratio of the female workers has been on the rise. The majority of the people in the economically active population are aged between 30 and

59 (71.9%). On the other hand, the number of people aged between 15 and 29 in the economically active population has been decreasing.

Fig. 1-15 Economically active population, 2012



Source : Statistics Korea, Survey on Economically Active Population, KOSIS

2.4.2. Economic Activity Rate

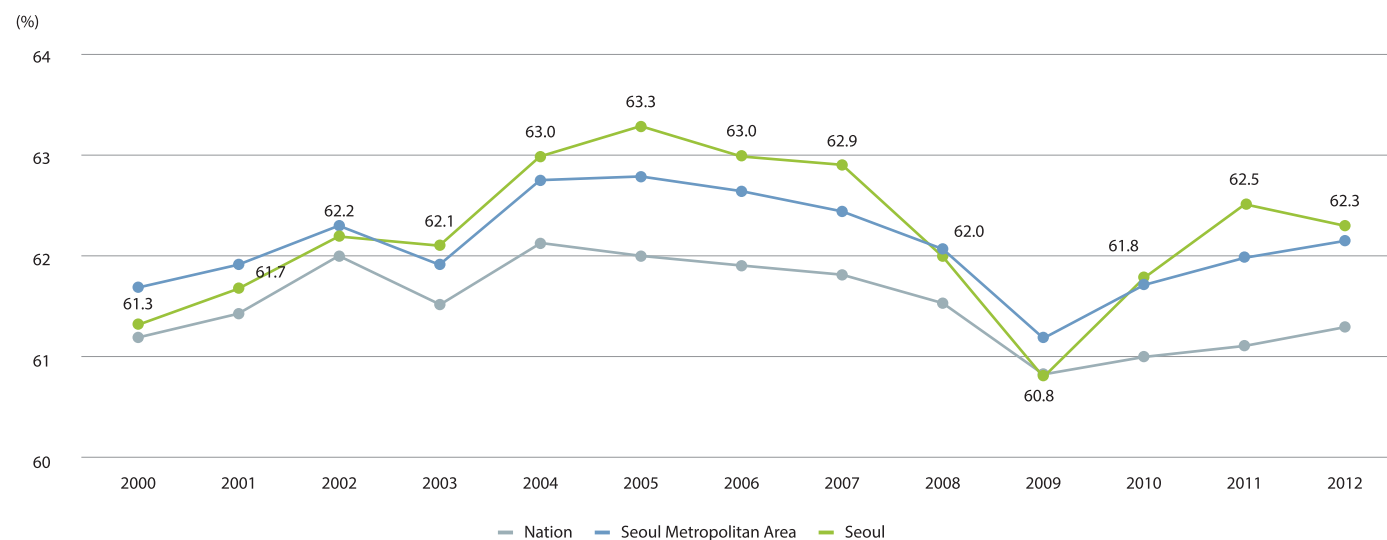
The economic activity rate in Seoul in 2012 was 62.3%

The economic activity rate in Seoul in 2012 was 62.3%, which means that every two out of three people aged 15 and above are employed or seeking jobs. This is 1.0%p and 0.2%p higher than the economic activity rate of the nation (61.3%) and the Seoul Metropolitan Area (62.1%) in 2012, and it implies that the demand for the work force is higher in Seoul compared to other regions. In the time period under analysis (2000 and 2012), the average economic activity rate in Seoul was found to be 62.2%, which also exceeded that of the nation (61.5%) and the Seoul Metropolitan Area (62.1%) by 0.6%p and 0.1%p, respectively.

The economic activity rate in Seoul fluctuated more than other regions

The economic activity rate in Seoul rose until 2005 before steadily declining until the 2009 financial crisis when it dropped to 60.8%. The difference between the economic activity rates at its peak (2005, 63.3%) and its lowest point (2009, 60.8%) was 2.5%p, which was comparatively more significant compared to that of the nation (1.3%p) and the Seoul Metropolitan Area (1.5%p).

Fig. 1-16 Trends in the Economic Activity Rate



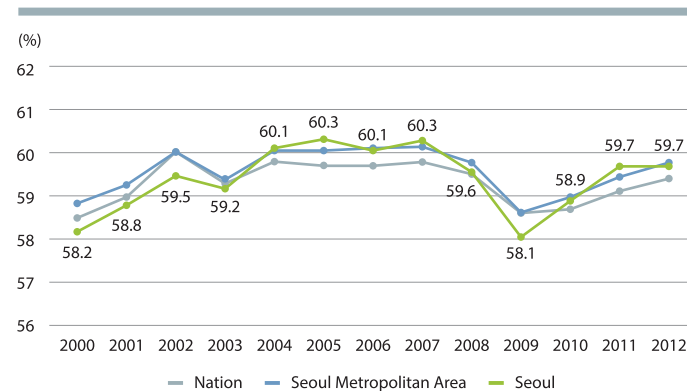
Note : Economic activity rate = (Economically active population ÷ People aged 15 and above) × 100
 Source : Statistics Korea, Survey on Economically Active Population, KOSIS

2.4.3. Employment Rate and Unemployment Rate

The employment rate in Seoul was 59.7%, 0.3%p higher than that of the nation

The employment rate in Seoul in 2012 was 59.7%, which was 0.3%p higher than that of the nation (59.4%). This means that a larger percentage of Seoul's population was employed compared to the nation, and that the employment capacity of Seoul was fairly good in comparison. The employment rate in Seoul has been fluctuating according to the economic fluctuations, in a similar pattern as the labor force participation rate. The employment rate in Seoul, which has generally increased until 2007, exceeded the employment rate of the nation, but it fell in 2008. After recording its lowest point at 58.1 in 2009, it has been recovering since.

Fig. 1-17 Employment Rate

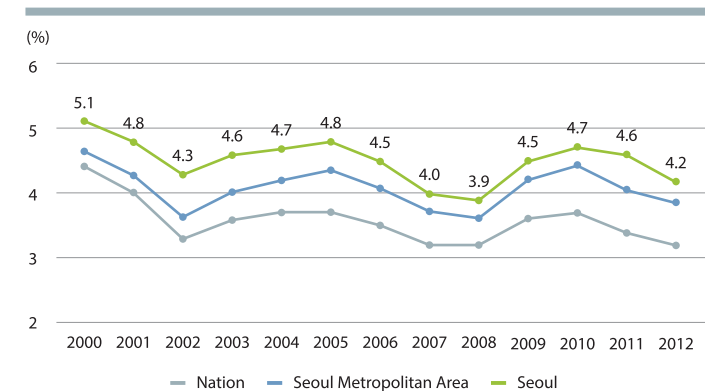


Note : Employment rate = (Employed population ÷ Population aged 15 and above) × 100
Source : Statistics Korea, Survey on Economically Active Population, KOSIS

The unemployment rate in Seoul was 4.2%, 0.3%p higher than that of the nation

The unemployment rate in Seoul in 2012 was 4.2%, and it also exceeded that of the nation (3.6%) by 0.6%p. The reason the employment and unemployment rates in Seoul are exceeded those of the nation was the labor force participation rate. Due to the high demand in employment, surpassing that of the nation, a high unemployment rate was observed and an imbalance in the employment mark results. The unemployment rate in Seoul fluctuated around 4.5% during the analysis period, and it was shown to exceed the unemployment rates of the nation and the Seoul Metropolitan Area, regardless of the economic circumstances.

Fig. 1-18 Unemployment Rate



Note : Unemployment rate = (Unemployed population ÷ Economically Active Population) × 100
Source : Statistics Korea, Survey on Economically Active Population, KOSIS

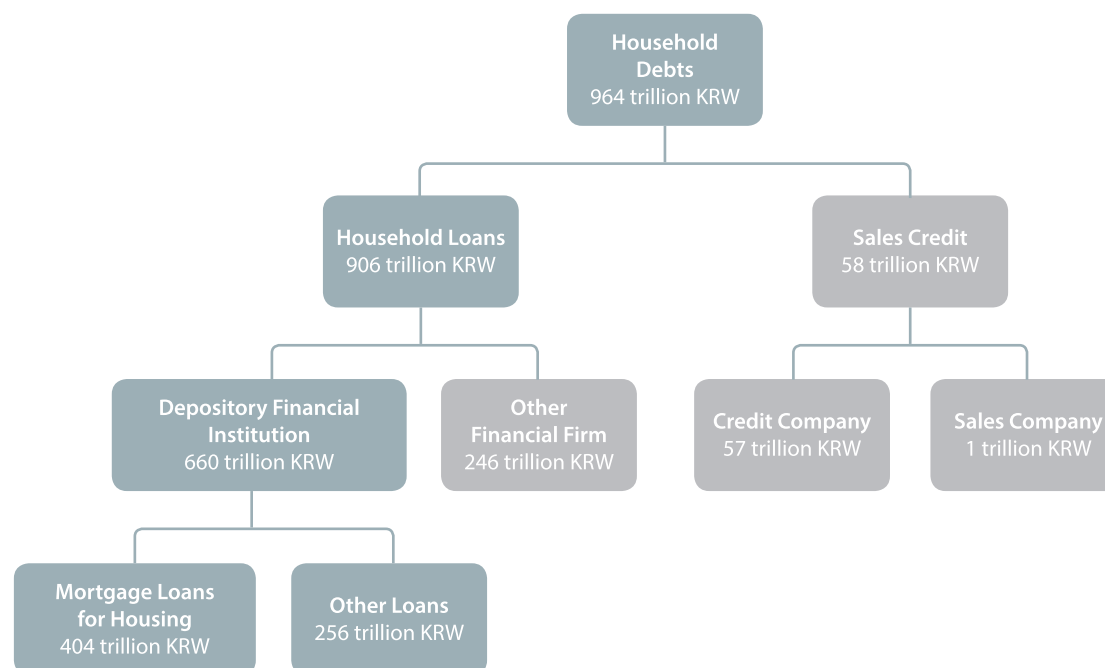
2.5. High Debt

2.5.1. Increased Household Debts Due to Housing Loans

The national household debt in 2012 amounted to 964 trillion KRW, which is about 80% of the GDP

90% of the national household debt were household loans (906 trillion KRW), of which loans (660 trillion KRW) from depository financial institutions accounted for 60%. On the other hand, 60% of the household loans from the depository financial institutions were mortgage loans for housing (404 trillion KRW)

Fig. 1-19 Household debts in the nation, 2012



Source : Bank of Korea, Currency Finance Statistics, KOSIS

2.5.2. Household Loans

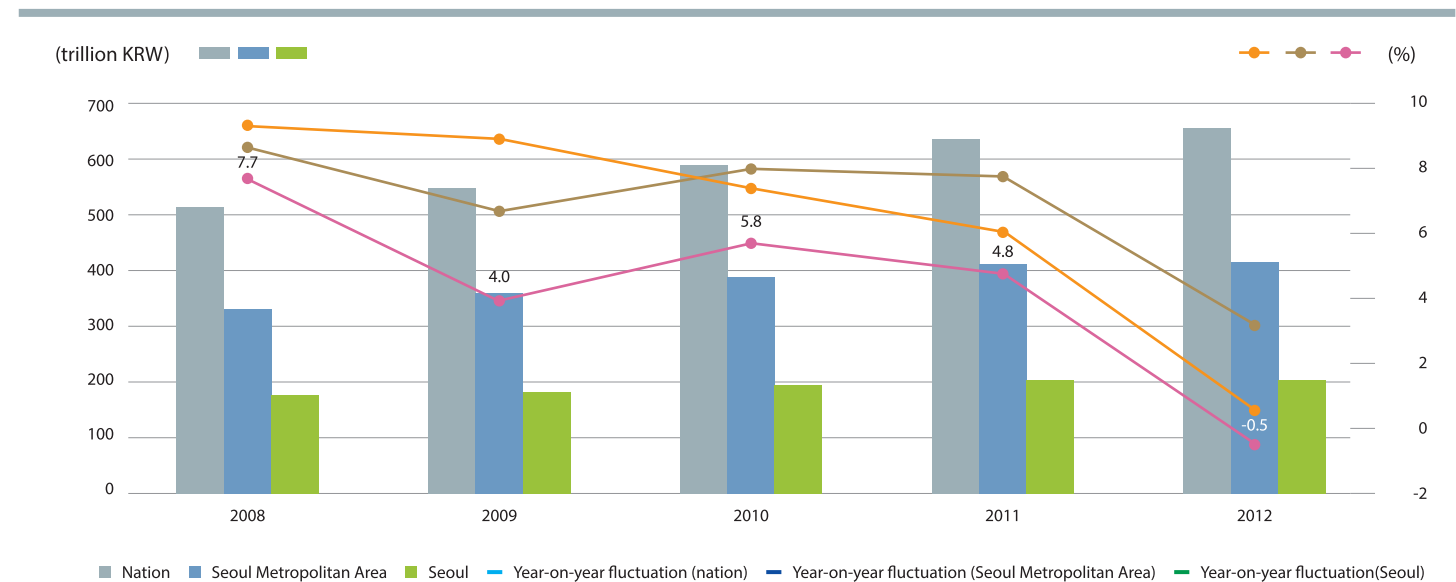
Household loans in Seoul amount to 203.3 trillion KRW, about 80% of the GRDP

The household loans provided by the depository financial institutions of Seoul amounted to 203.3 trillion KRW in Seoul and this was about 80% of the GRDP of Seoul, standing at 247.0 trillion KRW (standard price of 2005). The average annual fluctuation rate of household loans in Seoul (2007 to 2012) was 4.3%, which was 2.2%p higher than the average annual fluctuation rate of GRDP (2007 to 2011), standing at 2.1%. However, this was 2.5%p and 2.1%p lower than the average annual fluctuation rate of household loans in the nation (6.8%) and the Seoul Metropolitan Area, respectively.

The household loan fluctuation rate in Seoul has decreased since 2000

The household loan fluctuation rate has continually declined after reaching 7.7% in 2008, and for the first time in 2012, it showed a minus growth of -0.5%. This is deemed to have resulted from a reduction in the housing loans due to the sluggish real estate market.

Fig. 1-20 Trends in the household loans



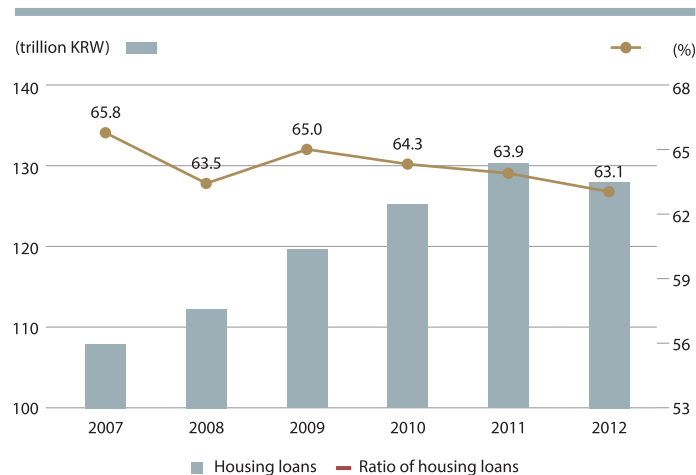
Source : Bank of Korea, Currency Finance Statistics, KOSIS

2.5.3. Housing Loans and Deposit Bank Loans

Housing loans account for 63.1% of the total household loans as of 2012

Housing loans, comprising the majority of the household loans in Seoul, were observed to account for 64.0% of the household loans on average during the analysis period (2006 to 2012). However, due to the prolonged recession in the real estate market causing a financial burden on those with housing mortgage loans, the total amount of housing mortgage loans, which had stood at 130.4 trillion in 2011, decreased to 128.2 trillion KRW in 2012. Moreover, the ratio of housing loans to the total household loans has been declining continually for 4 years from 65.0% in 2009 to 63.1% in 2012.

Fig. 1-21 Housing loans, 2012

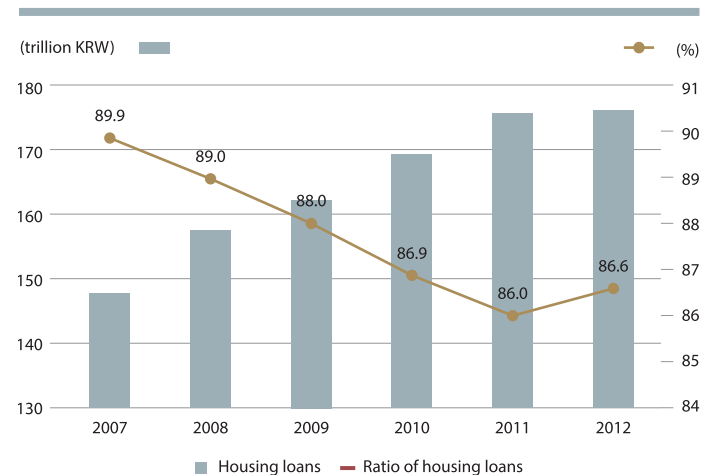


Source : Bank of Korea, Currency Finance Statistics, KOSIS

Deposit bank loans account for 86.6% of the total household loans as of 2012

A majority of the household loans in Seoul were provided by deposit banks, and the deposit bank loans in the analysis period (2007 to 2012) accounted for 87.3% of the total household loans on average. However, loans from non-banking deposit institutions have been gradually increasing, and thus, the deposit bank loans, which had been 89.9% in 2000, decreased to 86.0% in 2011. On the other hand, loans from non-banking deposit institutions increased slightly from 10.1% in 2007 to 13.4% in 2012.

Fig. 1-22 Deposit bank loans, 2012



Source : Bank of Korea, Currency Finance Statistics, KOSIS

II. Industries in Seoul

1. The Industrial Structure

1.1. Number of Businesses and Workers

1.1.1. Number and Size of Businesses

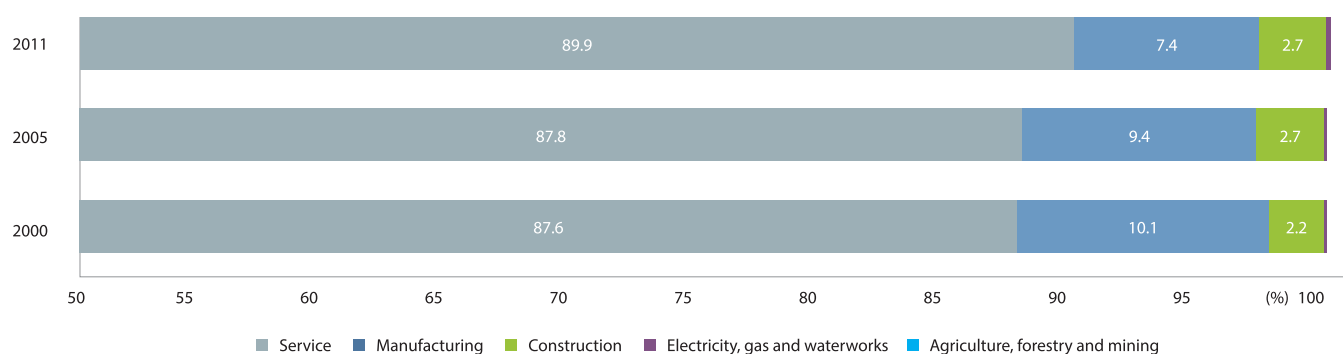
88.9% of the businesses in Seoul in 2011 were of the service industry

The total number of businesses in Seoul in 2011 were 752,285, of which 675,943 businesses (89.9%) were in the service industry, 56,026 (7.4%) in manufacturing, 20,156 (2.7%) in construction, 114 (0.02%) in electricity, gas and waterworks, and 46 (0.01%) in agriculture, forestry and mining. With respect to the added value levels, the number of businesses was slightly lower in the service industry and higher in the manufacturing industry.

Expansion of the service and construction industries in the past 11 years

Among the industries, the size of the service industry increased by 2.3%p from 87.6% in 2000 to 89.9% in 2011, while the construction industry increased by 0.5%p from 2.2% to 2.7% in the same time period. On the other hand, the size of the manufacturing, electricity, gas and waterworks, and agriculture, forestry and mining industries decreased by -2.7%p, -0.01%p and -0.01%p, respectively, from 2000 to 2011. The number of businesses between 2000 and 2011 only increased in the service and construction industries by 0.6% and 2.0%, respectively, annually on average.

Fig. 2-1 Changes in the industrial structure(Businesses)



Note : The 5 major classifications resulting from a readjustment of the Korean standard industrial classifications
Source : Statistics Korea, Census on Establishments, KOSIS, corresponding year

1.1.2. Number of Workers

85.6% of workers in Seoul were in the service industry in 2011

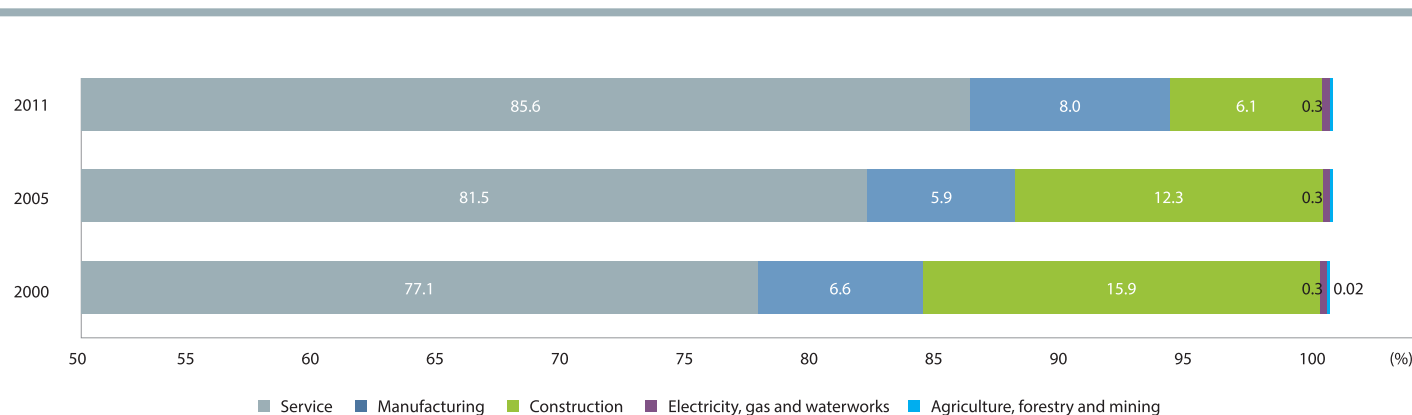
There were a total of 4,498,312 workers working in the industries of Seoul in 2011. More specifically, 3,851,243 (85.6%) were in the service industry, 359,900 (8.0%) in construction, 274,809 (6.1%) in manufacturing, 11,473 (0.3%) in electricity, gas and waterworks, and 887 (0.02%) in agriculture, forestry and mining. Based on the number of workers, the composition ratio of the construction industry was higher than that of the manufacturing industry, which contrasted with the composition ratios determined based on the number of businesses.

Based on the number of workers, the service and construction industries have grown in size in the past 11 years

The changes in the industrial structure of Seoul over the past 11 years examined based on the number of employees were similar to the changes examined based on the number of

businesses. However, the extent of the changes in the service and construction industries was shown to be more significant when the changes were examined based on the number of workers. The composition ratios of the service and construction industries increased by 8.5%p and 1.4%p, respectively from 2000 to 2011. On the other hand, the composition ratios of the manufacturing, electricity, gas and waterworks, and agriculture, forestry and mining industries, based on the number of workers, decreased by -9.8%p, -0.1%p, and -0.03%p, respectively. The average annual rate of increase in the number of workers in each industry of Seoul from 2000 to 2011 was 3.1% for the service industry, 3.9% for construction, -6.4% for manufacturing, 0.3% for electricity, gas and waterworks, and -6.9% for agriculture, forestry and mining.

Fig. 2-2 Changes in the industrial structure (Workers)



Note : The 5 major classifications resulting from a readjustment of the Korean standard industrial classifications
Source : Statistics Korea, Census on Establishments, KOSIS, corresponding year

1.2. Manufacturing Industry

Top 5 manufacturing areas accounted for 65.9% of the manufacturing industry, based on the number of businesses

The top 5 manufacturing areas in Seoul in 2011, determined based on the number of businesses, were found to be the manufacturing of sewn clothing and fur products (23.8%), publishing, printing and recorded media reproduction (12.6%), manufacturing of assembly metal products (10.2%), manufacturing of food and beverage (9.7%) and manufacturing of furniture and other products (9.6%). The number of businesses in these areas were shown to account for 65.9% of the total number of businesses in the entire manufacturing industry.

Table 2-1 Changes in the manufacturing industry structure after 2000 (Businesses)

Unit: businesses, (%)

	2000		2005		2011	
	Number of businesses	Proportion	Number of businesses	Proportion	Number of businesses	Proportion
Total	72,690	(100)	69,957	(100)	56,026	(100)
Manufacturing of sewn clothing and fur products	13,547	(18.6)	12,637	(18.1)	13,318	(23.8)
Publishing, printing and recorded media reproduction	11,093	(15.3)	11,339	(16.2)	7,042	(12.6)
Manufacturing of assembly metal products	6,139	(8.4)	7,307	(10.4)	5,705	(10.2)
Manufacturing of food and beverage	6,258	(8.6)	7,130	(10.2)	5,422	(9.7)
Manufacturing of furniture and other products	6,543	(9.0)	5,732	(8.2)	5,366	(9.6)

Note : Used the manufacturing industry classifications partially adjusted as a result of the 9th revision to the standard industrial classifications
Source : Statistics Korea, Census on Establishments, KOSIS, corresponding year

Top 5 manufacturing areas accounted for 68.2% of the manufacturing industry, based on the number of workers

The top 5 manufacturing areas in Seoul in 2011, determined based on the number of workers, were found to be the manufacturing of sewn clothing and fur products (33.4%), manufacturing of electronic parts/components, computers, imaging, audio, communications and electric equipment (12.3%), publishing, printing and recorded media reproduction (9.9%), manufacturing of furniture and other products (6.6%), manufacturing of textiles (6.0%). The number of workers in these areas were shown to account for 68.2% of the total number of workers in the entire manufacturing industry.

Table 2-2 Changes in the manufacturing industry structure after 2000 (Workers)

Unit: person, (%)

	2000		2005		2011	
	Number of businesses	Proportion	Number of businesses	Proportion	Number of businesses	Proportion
Total	568,098	(100)	473,445	(100)	274,809	(100)
Manufacturing of sewn clothing and fur products	109,925	(19.3)	94,619	(20.0)	91,909	(33.4)
Manufacturing of electronic parts/components, computers, imaging, audio, communications and electric equipment	88,992	(15.7)	64,564	(13.6)	33,860	(12.3)
Publishing, printing and recorded media reproduction	80,874	(14.2)	76,756	(16.2)	27,093	(9.9)
Manufacturing of furniture and other products	25,946	(4.6)	31,106	(6.6)	18,251	(6.6)
Manufacturing of textiles (excl. sewn clothing)	47,597	(8.4)	33,169	(7.0)	16,355	(6.0)

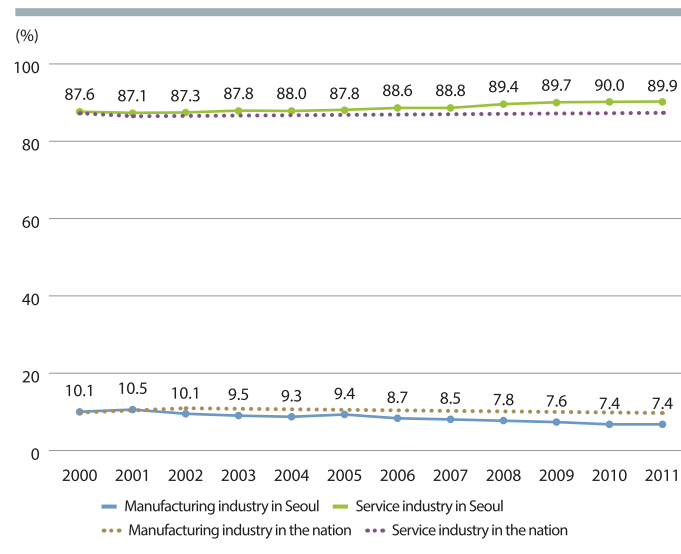
Note : Used the manufacturing industry classifications partially adjusted as a result of the 9th revision to the standard industrial classifications
Source : Statistics Korea, Census on Establishments, KOSIS, corresponding year

1.3. Service Industry

Expansion of services and weakening of the manufacturing function in Seoul

Based on the number of businesses, the service level of the industries of Seoul increased by 2.2%p from 87.6% in 2000 to 89.9% in 2011. On the other hand, the percentage of the manufacturing businesses decreased by 2.7%p. As a result, the number of service businesses is 12.1-times the number of manufacturing businesses in Seoul as of 2011.

Fig. 2-3 Service expansion (Businesses)

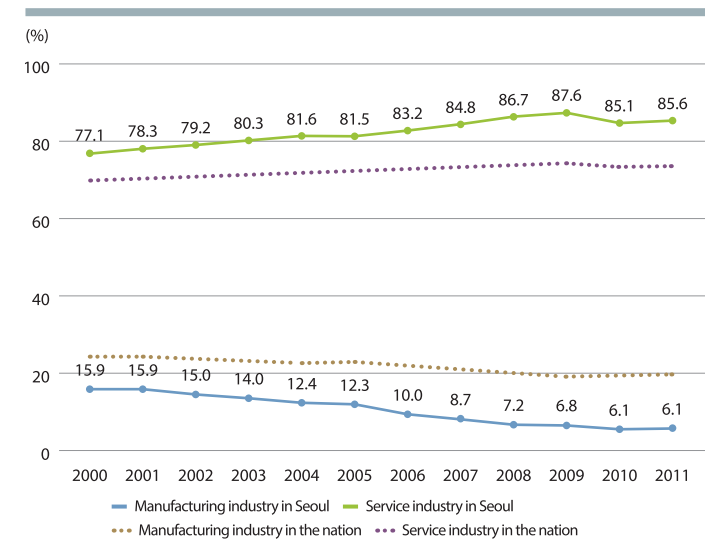


Source : Statistics Korea, Census on Establishments, KOSIS, corresponding year

Greater expansion of the service industry, based on the number of workers

The proportion of workers in the service industry in Seoul increased by 8.5%p from 77.1% in 2000 to 85.6% in 2011. On the other hand, the ratio of the manufacturing workers decreased by 9.8%p in this time period. The gap between the ratio of the service workers in Seoul and the nation increased from 0.8%p (8.8%p) in 2000~2005 to 2.4%p (12.2%p) in 2006~2011. This indicates that the progress in service expansion and deteriorating manufacturing function of Seoul exceeded that of the nation, especially at an accelerated rate since the mid-2000s.

Fig. 2-4 Service expansion (Workers)



Source : Statistics Korea, Census on Establishments, KOSIS, corresponding year

About 50% of the service businesses in Seoul are wholesale and retail, accommodations and F&B businesses

The top 5 service business areas in Seoul in 2011, determined based on the number of businesses, were wholesale and retail (32.0%), accommodations and food & beverage (17.7%), transportation (13.6%), other services (10.3%) and business services (6.0%). The top 5 service business areas have remained similar to those in the previous years except for the fact that the real estate and rental business, which had ranked No. 5 in 2000, dropped out of the top 5 rankings, whereas business services, which had ranked No. 6, was included in the top 5.

Number of service businesses, increasing in most business areas since 2000

The number of service businesses in Seoul has increased in the past 11 years, except for in the arts, sports and leisure-related services, public administration, national defense and social security administration, and wholesale and retail businesses. Particularly, it has increased an average annual rate of 221.% in the information and communications industry. The composition ratio of businesses increased in the information and communications, business service and education service sectors from 2000 to 2011. In contrast, the number of businesses in the No. 1 and 2 areas (wholesale and retail and accommodations and F&B) have decreased.

Table 2-3 Changes in the service industry structure since 2000 (Businesses)

Unit: businesses, (%)

	2000		2005		2011	
	Number of businesses	Proportion	Number of businesses	Proportion	Number of businesses	Proportion
Total	630,386	(100)	651,063	(100)	675,529	(100)
Wholesale and retail	237,985	(37.8)	222,079	(34.1)	215,874	(32.0)
Accommodations and F&B	116,758	(18.5)	117,552	(18.1)	119,320	(17.7)
Transportation	80,757	(12.8)	95,222	(14.6)	91,773	(13.6)
Other services	63,408	(10.1)	65,851	(10.1)	69,771	(10.3)
Business services	28,117	(4.5)	35,165	(5.4)	40,321	(6.0)
Real estate and rental	28,470	(4.5)	33,632	(5.2)	35,207	(5.2)
Educational services	20,422	(3.2)	23,314	(3.6)	31,181	(4.6)
Health and social welfare service	14,831	(2.4)	17,488	(2.7)	23,275	(3.4)
Arts, sports and leisure services	27,728	(4.4)	28,474	(4.4)	21,383	(3.2)
Information and communications	1,805	(0.3)	2,266	(0.3)	16,175	(2.4)
Finance and insurance	8,651	(1.4)	8,577	(1.3)	9,942	(1.5)
Public administration, national defense and social security administration	1,454	(0.2)	1,443	(0.2)	1,307	(0.2)

Note : Used the service industry classifications partially adjusted as a result of the 9th revision to the standard industrial classifications
Source : Statistics Korea, Census on Establishments, KOSIS, corresponding year

The number of workers has increased in nearly all the service areas since 2000

The number of workers in the service industry, except in the arts, sports and leisure service area, has increased in Seoul over the past 11 years. Of particular note, the increase in the information and communications industry occurred at an average annual rate of 20.6% over the past 11 years. As for the changes in the composition ratio of the workers in 2011

compared to 2000, there was a significant increase in the business service and information and communications areas. In contrast, the proportion of the workers in the wholesale and retail businesses decreased considerably.

Table 2-4 Changes in the service industry structure since 2000 (Workers)

Unit: person, (%)

	2000		2005		2011	
	Number of workers	Proportion	Number of workers	Proportion	Number of workers	Proportion
Total	2,756,642	(100)	3,130,223	(100)	3,844,604	(100)
Wholesale and retail	816,594	(29.6)	748,028	(23.9)	786,971	(20.5)
Business services	319,769	(11.6)	540,908	(17.3)	714,154	(18.6)
Accommodations and F&B	362,912	(13.2)	393,018	(12.6)	417,162	(10.9)
Information and communications	38,719	(1.4)	44,860	(1.4)	302,726	(7.9)
Educational services	195,579	(7.1)	245,483	(7.8)	299,858	(7.8)
Finance and insurance	199,312	(7.2)	212,151	(6.8)	267,602	(7.0)
Transportation	231,463	(8.4)	249,765	(8.0)	265,736	(6.9)
Health and social welfare service	123,551	(4.5)	160,950	(5.1)	249,466	(6.5)
Other services	168,666	(6.1)	174,563	(5.6)	194,332	(5.1)
Real estate and rental	109,194	(4.0)	138,050	(4.4)	144,271	(3.8)
Public administration, national defense and social security administration	98,843	(3.6)	112,526	(3.6)	127,407	(3.3)
Arts, sports and leisure services	92,040	(3.3)	109,921	(3.5)	74,919	(1.9)

Note :Used the service industry classifications partially adjusted as a result of the 9th revision to the standard industrial classifications
Source : Statistics Korea, Census on Establishments, KOSIS, corresponding year

1.4. Knowledge-based Industry

Gradual expansion of the knowledge-based industry in Seoul since 2000

The number of businesses in the knowledge-based industry increased by 1.3-fold from 75,866 in 2000 to 101,784 in 2011. Accordingly, the ratio of knowledge-based businesses to the total number of businesses industrywide in Seoul increased by 3.0%p from 10.5% in 2000 to 13.5% in 2011. The number of workers in the knowledge-based industry increased by 3.5% annually on average from 558,669 in 2000 to 817,550 in 2011 for a 1.5-fold increase. As a result, the ratio of the workers in the knowledge-based industry to the total number of workers industrywide in Seoul increased by 2.6%p from 15.6% in 2000 to 18.2% in 2011.

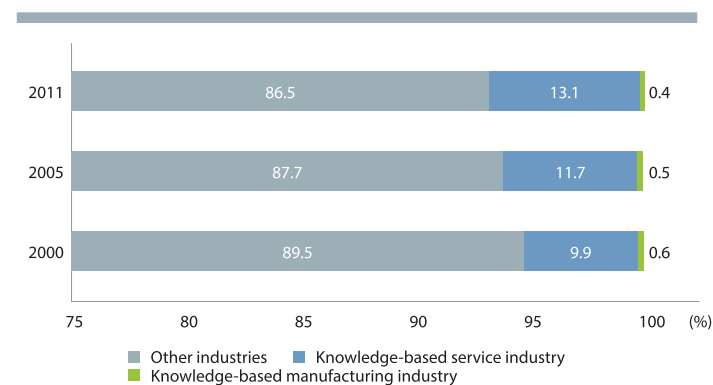
Expansion of the knowledge-based service industry and reduction in the knowledge-based manufacturing industry

The major industry contributing to the expansion of the knowledge-based industry was the service industry, not the manufacturing industry. The ratio of the knowledge-based service businesses (workers) to the total businesses increased steadily to 9.9% (12.7%) by 2000, 11.7% (14.8%) by 2005 and 13.1% (17.4%) by 2011. On the other hand, the ratio of the knowledge-based manufacturing businesses (workers) to the total businesses decreased to 0.6% (2.9%) by 2000, 0.5% (1.8%) by 2005 and 0.4% (0.8%) by 2011.

The knowledge-based industry of Seoul at No. 1 among 16 cities and provinces

The knowledge-based industry was found to be concentrated mainly in the Seoul Metropolitan Area with Seoul accounting for 13.5%, Gyeonggi Province 13.1% and Incheon 12.5% of the entire knowledge-based industries of 16 cities and provinces in 2011.

Fig. 2-5 Ratio of the knowledge-based service industry and the knowledge-based manufacturing industry (Businesses)

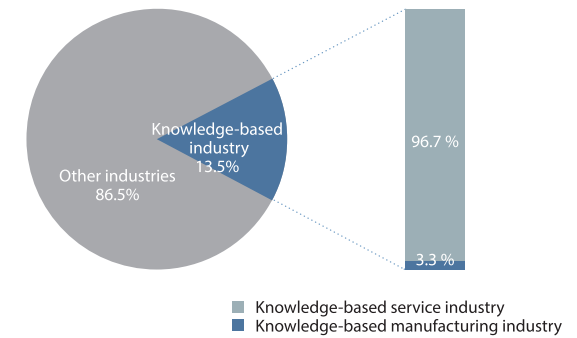


Source : Statistics Korea, Census on Establishments, KOSIS, corresponding year

Over 95% of the knowledge-based industry in Seoul is knowledge-based service industry

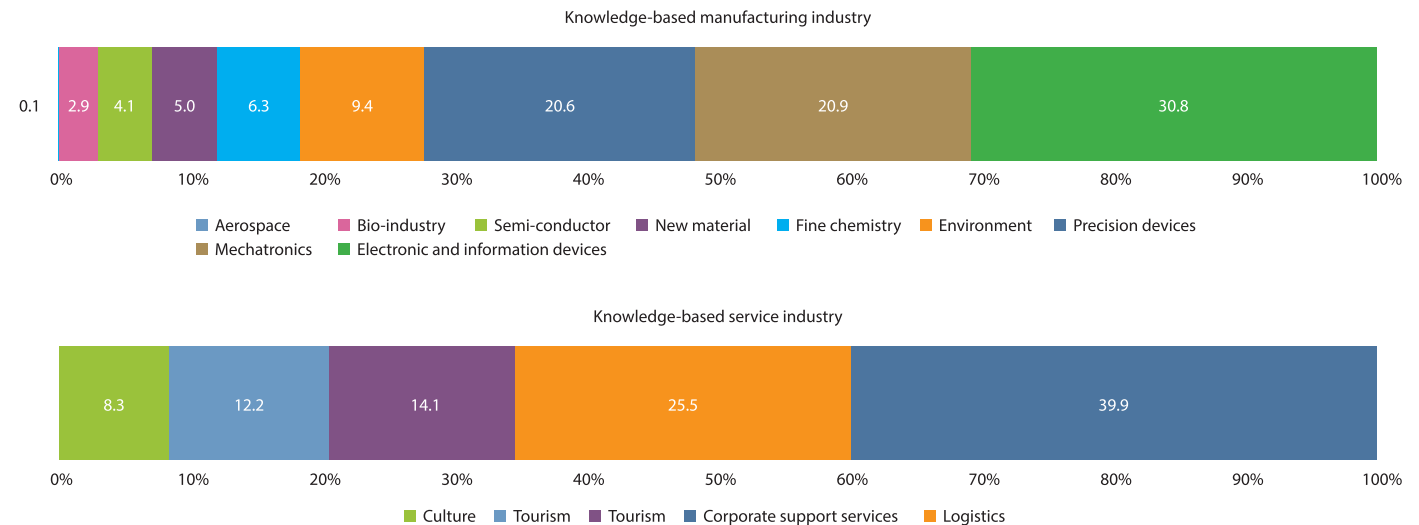
96.7% of the knowledge-based industry businesses and 95.8% of the knowledge-based industry workers were in the service industry in 2011. On the other hand, the knowledge-based manufacturing businesses and workers only accounted for 3.3% and 4.2%, respectively. In Seoul, over 60% of the knowledge-based service industry consisted of logistics and corporate support service industries, while over 50% of the knowledge-based manufacturing industry consisted of electronics and mechatronics.

Fig. 2-6 Composition of the knowledge-based industry(Businesses)



Source : Statistics Korea, Census on Establishments, KOSIS, 2011

Fig. 2-7 Composition of the knowledge-based manufacturing and service industries (Businesses)



Source : Statistics Korea, Census on Establishments, KOSIS, 2011

2. Characteristics of the 6 Key Strategic Industries

The 6 key strategic industries are tourism•MICE, contents, design•fashion, IT convergence, printing, and clothing•sewing

From the top 8 new growth engine industries presented in Seoul's Economic Vision 2020 and the 4 major urban manufacturing industries, 6 key strategic industries (tourism•MICE, contents, design•fashion, IT convergence, printing, and clothing•sewing) were chosen, taking into account the policy direction of Seoul, future growth potential and association with the creative economy.

Rapid growth of the design•fashion industry among the 6 key strategic industries

Over the past 10 years, the number of businesses and workers grew in the tourism•MICE, contents, design•fashion and IT convergence industries, whereas the urban manufacturing industries such as printing and clothing•sewing suffered a decline. Of particular note, the number of businesses and workers in the design•fashion industry grew by 100%p.

Table 2-5 Businesses index in the 6 key strategic industries

Unit: businesses, 2005 as reference level (100)

	Number of businesses			Business index		
	2000	2005	2011	2000	2005	2011
Tourism · MICE	4,603	5,366	5,989	85.8	100	111.6
Contents	13,364	11,846	12,124	112.8	100	102.3
Design · Fashion	1,156	1,442	2,491	80.2	100	172.7
IT convergence	6,945	7,041	10,159	98.6	100	144.3
Printing	8,073	8,213	7,007	98.3	100	85.3
Clothing · Sewing	69,438	69,961	66,891	99.3	100	95.6

Source : Statistics Korea, Census on Establishments, KOSIS, 2011

Table 2-6 Workers index in the 6 key strategic industries

Unit: workers, 2005 as reference level (100)

	Number of businesses			Business index		
	2000	2005	2011	2000	2005	2011
Tourism · MICE	47,811	55,608	64,555	86.0	100	116.1
Contents	125,052	126,328	123,281	99.0	100	97.6
Design · Fashion	5,761	7,257	14,301	79.4	100	197.1
IT convergence	159,120	147,952	187,873	107.5	100	127.0
Printing	35,708	38,396	26,903	93.0	100	70.1
Clothing · Sewing	259,268	238,666	232,958	108.6	100	97.6

Source : Statistics Korea, Census on Establishments, KOSIS, 2011