

A year passed under Moon Jae-in administration in South Korea: its rating and future challenges

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In South Korea, the local elections and National Assembly by-elections were held on 13 June, the first nationwide election since Moon Jae-in took office in May 2017. The ruling Democratic Party of Korea (DPK) won 14 of 17 cities in the provincial mayoral and gubernatorial elections and won landslide victories in the provincial legislative elections as well as the municipal mayoral and legislative elections (see table 1). DPK also won 11 of 12 seats in by-elections for the National Assembly, increasing the seats to 130 in the 300-member parliament. It can be concluded that Moon Jae-in administration's stability has increased considerably.

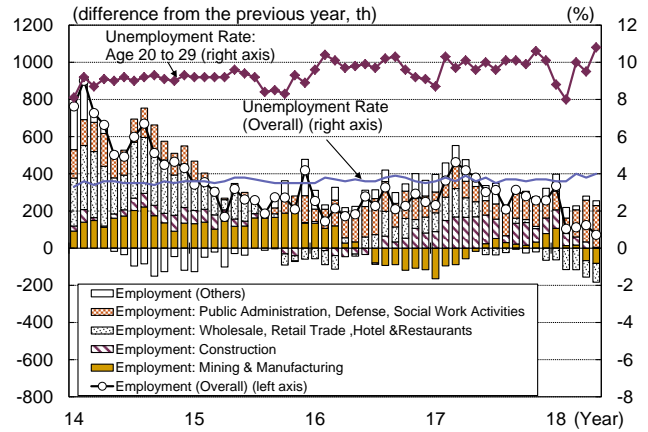
The administration has been widely supported after the success of Pyeongchang Winter Olympic (February) and realization of the inter-Korean summit (April) and the US-North Korea summit (June). This, together with Moon's high approval rating of above 70%, led to a landslide victory in the elections this time. Meanwhile, its economic policies are unproven. The administration puts policy priority on the "income-led growth" which aims at economic growth backed by an increase in household income. It promoted job creation in public sector and raised the minimum wage substantially. The administration aims to raise the minimum hourly wage to 10,000 won by 2020, and set 7,530 won (+16.4% YoY) this year. However, the pace of increase in employment slowed down recently and unemployment rate remains high mainly among the youth (Age 20 to 29) (see chart 1). Looking at the employment by industry, public sector such as "Public Administration, Defense and Social Work Activities" continued to increase while private sector such as "Manufacturing" slumped which could have been affected by lack of hiring activities by corporates due to increasing minimum wage. Moon Jae-in administration had the supplementary budget (3.9 trillion won, 0.2% of GDP), the second since Moon came into power, approved in May. The supplementary budget aims to create more jobs for the youth and to support regional economies hit by domestic automobile and shipbuilding companies' restructurings. In order for the administration to maintain its high approval rating, it needs to implement the measures to aid economic revitalization simultaneously by improving productivity of small and medium-sized companies which are expected to play a role as a source of employment and fostering and supporting new growth industries.

Table 1: Results of South Korea's nationwide local elections and National Assembly by-elections

	Party	2018	2014		Party	2018	2014
Provincial mayoral and gubernatorial elections	DPK	14	9	Municipal mayoral elections	DPK	151	80
	LKP	2	8		LKP	53	117
	Others	1	0		Others	22	29
Provincial legislative elections	DPK	605	349	Municipal legislative elections	DPK	1,400	1,157
	LKP	113	416		LKP	876	1,413
	Others	19	24		Others	265	299
National Assembly by-elections	DPK	11	3				
	LKP	1	4				
	Others	0	5				

Note: 1) "DPK" stands for Democratic Party of Korea, "LKP" stands for Liberty Korea Party.
 2) The 2014 figures of National Assembly by-elections represent the number of members who used to belong to each party then.
 Source: Republic of Korea National Election Commission, MUFG Bank Economic Research Office

Chart 1: Employment by Industry and Unemployment Rate in South Korea



Source: Statistics Korea, MUFG Bank Economic Research Office

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