

Top Priority: Economic Soft Landing and Price Stability in 1996

The government is planning to put top priority on realizing price stability and an economic soft landing this year. Its other policy goals include: easing the increasing industrial bipolarization and supporting the restructuring of small and medium firms, continuing its push for economic deregulation and improvement of the business environment, raising the public's quality of life and expanding welfare aid to the underprivileged, and continuing its efforts to globalize the Korean economy in line with its bid to enter the Organization for Economic Cooperation and Development (OECD).

Foreigners' Stock Ownership Ceiling to Be Raised Ahead of Schedule

The Ministry of Finance and the Economy announced that it plans to hike the ceiling on foreigners' stock ownership ahead of schedule in order to pour some lifeblood into the depressed stock market. This is part of the government's overall stock market stimulus package, which will focus on controlling the amount of new stock issues supplied to the market. The government will postpone equity sell-offs by state-run corporations and public offerings and capital increases of public financial institutions. According to the government's market opening plan, the limit on foreigners' stock ownership is to be raised some time this year. Presently, foreign investors are permitted to own up to 15% of a company's domestic stock.

Bank of Korea to Tighten Money Supply This Year

The Bank of Korea (BOK) is expected to maintain tighter control of the money supply this year in order to achieve price stability and an economic soft landing. It will maintain the annual growth rate of the total money supply, M2, between 11.5% and 15.5% this year. This is 0.5% lower than last year's M2 growth target of 12-16%. An M2 growth rate of 11.5% implies a money supply of 17 trillion won and a 15.5% rate means 23 trillion won. A BOK official said, "As part of the central bank's mid- to long-term strategy, we adjusted downward the 1996 money supply growth target in an effort to help lower consumer price increases (5-6%) to the level of advanced economies (2-3%)."

Net Inflow of Foreign Funds into the Stock Market Rose 23.6% in 1995

The net inflow of foreign funds into the Korean stock market marked \$2.36 billion in 1995, up 23.6% from 1994. The total inflow of foreign investors' money amounted to \$10.14 billion while their remittances totalled \$7.78 billion. US investors accounted for 39.4% or \$390 million out of the total net inflow, the largest percentage among foreigners. Since the opening of the domestic bourse to foreigners in Jan. 1992, foreigners have brought in a net cumulative total of \$12.04 billion. The surge in foreign fund inflow is largely attributable to the raising of the foreign stock ownership ceiling in from 12% to 15% in July 1995.

Major Business Groups Enter PC On-Line Service Market

At least ten business groups are planning to enter the PC on-line service market. Samsung, Hyundai, LG, Daewoo, Ssangyong, Hanjin, Kolon and Hansol are all rushing into the 60-billion-won (\$75 million)-a-year industry. The incumbent players are worried about the price destruction that is likely to be brought about by the new entrants. Samsung and Hyundai, scheduled to launch their own PC communications and Internet services in January and February, respectively, have already pledged to set their service charges at less than half the current market rate. Samsung's service is called "Unitel" and Hyundai's, "AmiNet."

Electronics Industry to Face Tougher Business Environment

Market analysts say that in 1996, Korea's electronics firms are expected to face a growing challenge at home and abroad as market conditions change drastically. Externally, interest rates and international prices of oil and raw materials are expected to go up, and the advantages gained by domestic firms from the strong yen will largely disappear. Patent disputes like those between Samsung and Texas Instruments and cheaper products from newly industrializing nations such as China and Malaysia will challenge domestic firms. The scheduled opening of the domestic distribution market for electronics this year will make the business environment for local firms even tougher.

Hyundai's Sonata II Was Best-Seller in Domestic Market in 1995

The Hyundai Motor Co.'s Sonata II was the best selling car in the domestic market in 1995, repeating its top ranking in 1994. Last year, Hyundai sold a total of 194,791 Sonata II units, up 6.2% from 1994. Another Hyundai model, the Avante, ranked second with sales of 157,627 units in 1995, followed by the Sephia of Kia Motors Corp. with 110,865, Hyundai's Accent with 93,130, the Prince of Daewoo Motor Co. with 92,359, Daewoo's Espero with 70,582, and Kia's Credos with 46,915 units. Daewoo's Tico, Kia's Avella, and Hyundai's Elantra placed 8th, 9th and 10th, respectively.

More than 40 Foreign Construction Firms Operating in Korea

The most recent government data indicates that there are more than 40 foreign construction firms operating in Korea, thanks to the liberalization policy of the construction sector. Effective Jan. 1, 1996, foreign construction firms can operate in Korea through direct representative offices. Starting in 1998, foreign construction companies will be allowed to form wholly-owned subsidiaries in Korea. The domestic construction market began to be opened in 1994 in accordance with a previous agreement in the WTO (World Trade Organization) framework. **VIP**