

### The Economy

The Korean economy seems to be undergoing an economic downturn which is visible in many facets of the economy. Toward the end of last year, almost every index which could be used to measure the macro-economic level such as consumption, investment, and industrial production showed only very moderate increases. Moreover, it is uncertain whether or not the economy will make a soft-landing. Prospects are gloomy due to the lingering effects of the domestic slush-fund scandal, the rising prices of international raw materials and the recent acceleration of the dollar's appreciation.

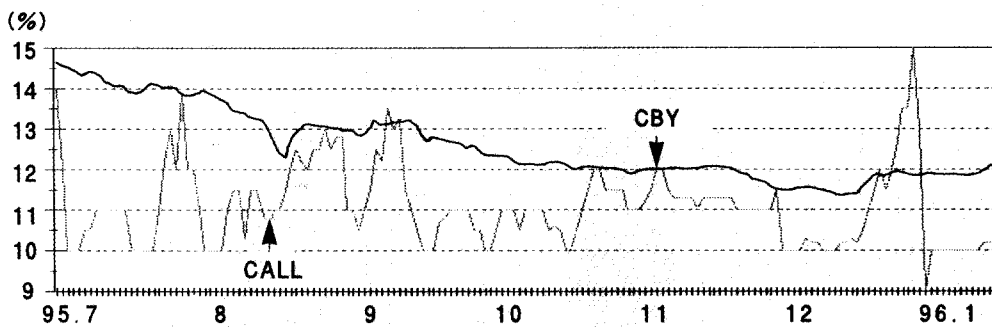
	1992	1993	1994	1995(E)	1996(E)
Growth Rate(%)	5.1	5.8	8.2	9.2	7.2
Nominal GNP(US \$ bil)	305.7	330.8	376.9	458.9	-
GNP per capita(US \$)	7,007	7,513	8,483	10,151	-

### Interest Rates and Prices

The downward trend of interest rates which prevailed for most of 1995 is gradually reversing itself. Call rates, which represent the short-term interest rates, rebounded from 10.5% at the end of the 3rd quarter to 13.5% at the end of 1995.

Fears of stagflation are looming as business investment has stalled due to continued political instability and the expectation of inflation motivated psychologically by the upcoming general elections. Stagflation means a recession coupled with high price levels.

Domestic Interest Rates	94 Q1	Q2	Q3	Q4	95 Q1	Q2	Q3	Q4	1996(E)
Call Rate(% p.a.)	11.5	16.4	15.0	25.0	12.5	17.0	10.5	13.5	-
Yield on CD(%)	12.7	12.9	15.2	15.4	14.4	15.1	12.8	12.3	-
Yield on Corporate Bonds(%)	12.4	12.5	13.7	14.3	14.2	14.7	12.5	12.2	11.7

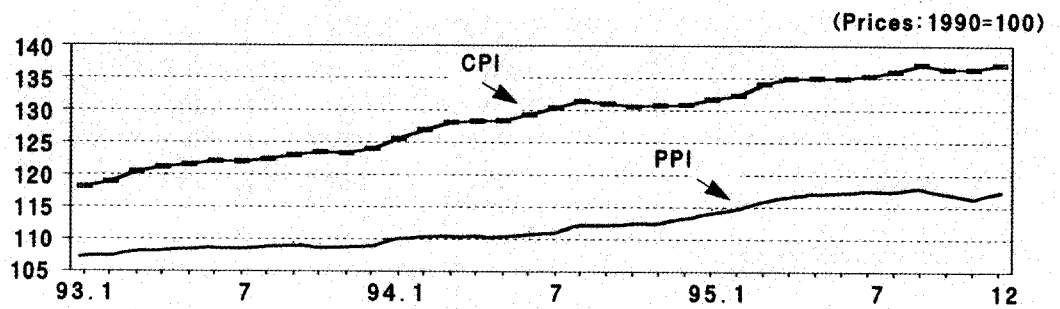


International Interest Rates	94 Q1	Q2	Q3	Q4	95 Q1	Q2	Q3	Q4
EURO \$ (LIBOR, 3 months)	3.938	4.875	5.550	6.500	6.250	6.000	5.953	5.625
Euro ¥ (3 months)	2.313	2.188	2.375	2.438	2.227	1.250	0.469	0.500
Euro DM (3 months)	5.690	5.000	5.188	5.250	5.063	4.570	4.094	3.816

## HRI Economic Statistics

Prices*	94 Q4	95Q1	Q2	Q3	95Q4	1996(E)
Producer Prices(%)	3.9	2.3	3.4	4.1	4.7	2.5
Consumer Prices(%)	5.6	2.4	3.1	4.7	4.5	5.0

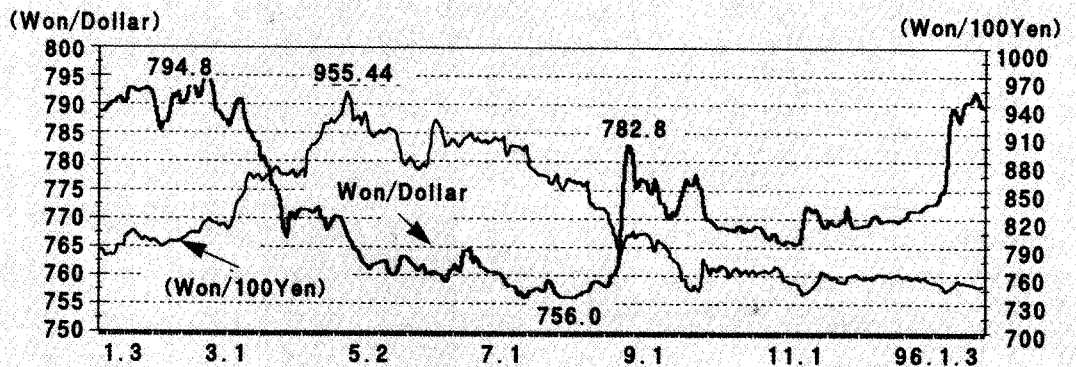
\* change over a year ago



### Trade and Exchange Rates

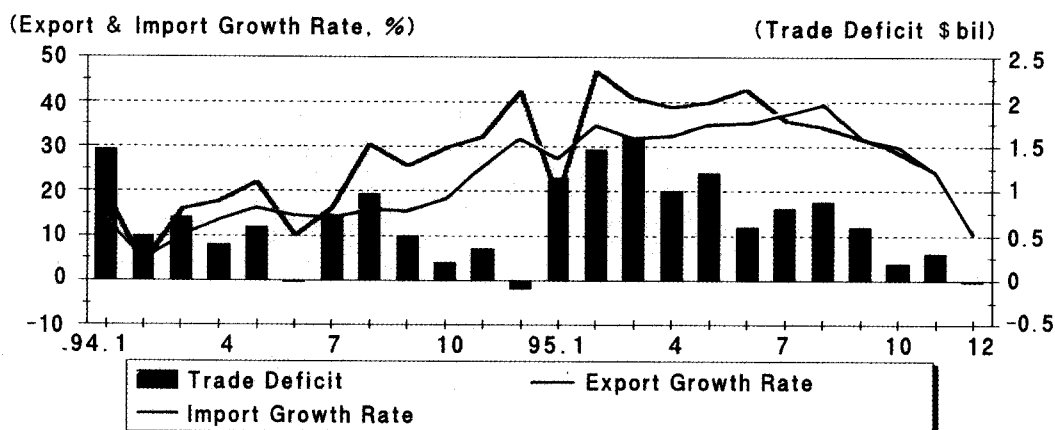
The U.S. dollar surged in December and gained against the won. It edged up 0.7% against the won in December vis-a-vis November. While it looks like the exchange rate will stabilize after an adjustment period, this current surge will help Korea's exports to the U.S. for the time being. As the dollar continues to appreciate, the yen has been losing a lot against the won. The current account deficit is expected to reach \$9.4 billion for the year.

Exchange Rates	94 Q1	Q2	Q3	Q4	95 Q1	Q2	Q3	Q4	1996(E)
₩ / \$	806.5	805.5	798.9	<b>788.7</b>	771.5	756.1	768.4	<b>774.7</b>	752
₩ / 100¥	780.3	815.2	811.1	<b>790.7</b>	862.3	896.1	770.5	<b>749.2</b>	740
¥ / \$	102.2	98.7	99.1	<b>99.8</b>	87.0	84.8	99.5	103.2	102



## HRI Economic Statistics

International Trade (US \$ bil)	94 Q1	Q2	Q3	Q4	1994	95 Q1	Q2	Q3	Q4	95(E)
Current Account	-2.2	-0.4	-1.9	-0.3	-4.8	-3.8	-2.7	-2.2	-	-9.4
Balance of Trade	-1.6	-0.1	-1.2	-0.2	-3.1	-2.6	-1.7	-0.8	-	-6.1
Exports(FOB)	19.9	23.9	23.6	28.7	96.0	26.2	32.1	32.3	34.6	125.2
Imports(CIF)	22.5	24.8	25.7	29.3	102.4	30.4	34.8	34.4	35.4	135.0



## Stock Markets

It has been several months since the political slush fund scandal first broke out. From then on, the stock market has been declining. It looks like the bear went into hibernation this winter. Moreover, the economy is on a downturn of the business cycle. Thus, much will be needed to boost the stock market.

	95Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Composite Stock Price Index	925.6	885.7	931.8	897.0	882.5	894.4	933.6	914.1	982.7	990.3	930.9	882.9
Customer Deposits (₩bil)	2,650	2,368	2,110	2,070	2,030	2,120	2,548	2,542	2,629	2,550	2,328	2,191
Traded Volume (ten thousands)	1,813	2,090	1,975	1,876	2,558	2,526	2,148	2,296	1,836	2,095	2,022	2,515

Note : i) Figures for 1995(E) and 1996(E) signify HRI forecasts.

ii) Figures are for the end of period unless noted otherwise.