

The Economy

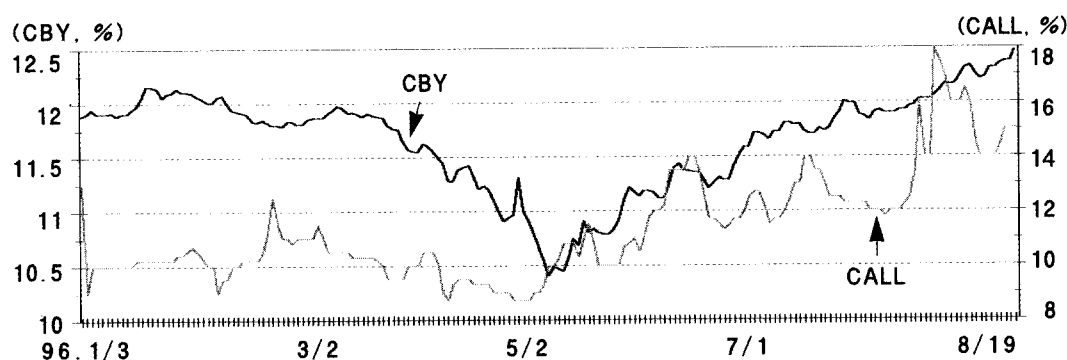
The economy is in the doldrums, with the end of the tunnel nowhere in sight. The impact of the recession can be felt easily in that inventories are piling up due to slow sales, and the current account deficit is growing faster than expected as exports cannot catch up with imports. What is worrisome is the observation that the stagflation may be looming with rising price levels during the recession.

Gross National Product	1992	1993	1994	1995	1996(E)
Growth Rate(%)	5.1	5.8	8.2	9.2	6.9
Nominal GNP(US\$ bil)	305.7	330.8	376.9	451.7	520.5
GNP per capita(US\$)	7,007	7,513	8,483	10,076	11,605

Interest Rates and Prices

Although many point out the importance of lower interest rates for the economy, the reverse is happening in the financial market. The yield on corporate bonds stood at 12.5% on August 20, the highest since the beginning of the year. Besides the rising demand for funds by firms due to slow sales, this can be blamed on the public's fears about the volatile price levels and the government's unstable monetary control.

Domestic Interest Rates	95 Q1	Q2	Q3	95 Q4	96 Q1	96 Q2	96.7	96(E)
Call Rate(% p.a.)	12.5	17.0	10.5	15.0	9.0	14.0	17.5	-
Yield on CD(%)	14.4	15.1	12.8	12.2	11.4	12.7	13.7	-
Yield on Corporate Bonds(%)	14.2	14.7	12.6	11.9	11.4	11.7	12.1	12.2

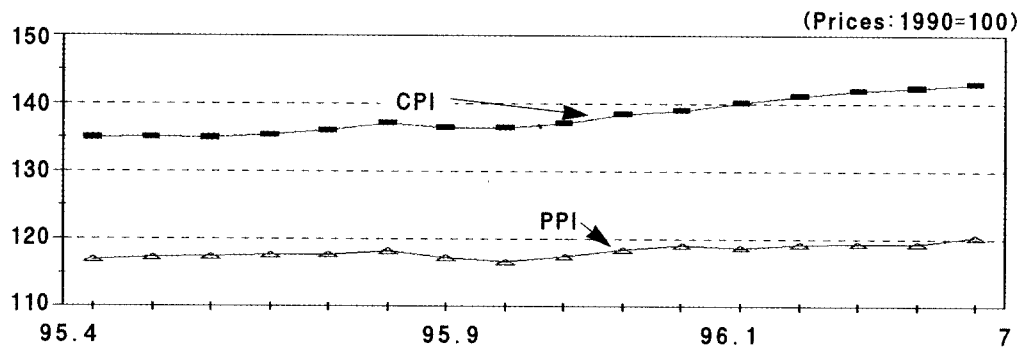


International Interest Rates	95 Q1	Q2	Q3	95 Q4	96 Q1	96 Q2	96.7
EURO \$ (LIBOR, 3 months)	6.250	6.000	5.953	5.625	5.469	5.582	5.688
EURO ¥ (3 months)	2.227	1.250	0.469	0.500	0.594	0.602	0.688
EURO DM (3 months)	5.063	4.570	4.094	3.816	3.367	3.375	3.375

HRI Economic Statistics

Prices*	95 Q1	Q2	Q3	95 Q4	96 Q1	96 Q2	96.7	96(E)
Producer Prices(%)	5.1	5.9	5.2	3.4	2.2	1.6	2.3	N/A
Consumer Prices(%)	4.7	4.3	4.7	4.7	4.5	5.5	5.6	4.9

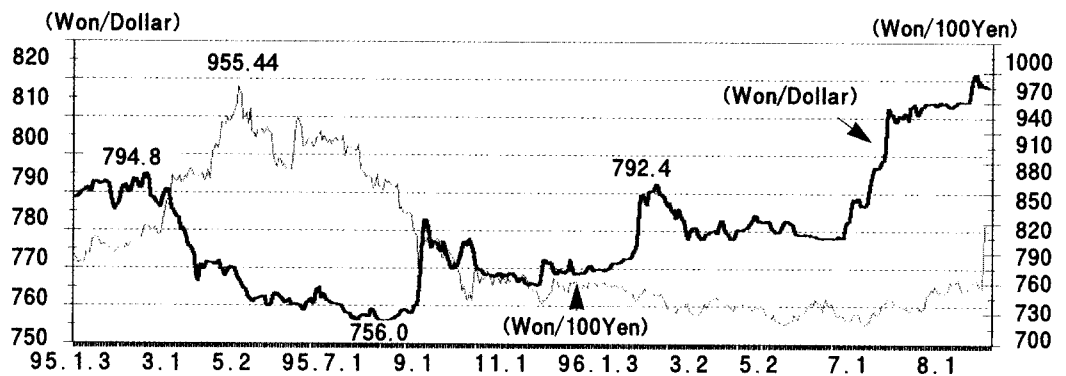
* Percentage change over a year ago



Trade and Exchange Rates

The main Korean export items such as electronics, petrochemicals, and metal products have not fared well since April in the export markets, and it looks like this phenomenon will continue for quite a long time. It is largely attributed to the decline in unit export prices and the weakened export competitiveness relative to Japan due to the lingering effect of the low yen.

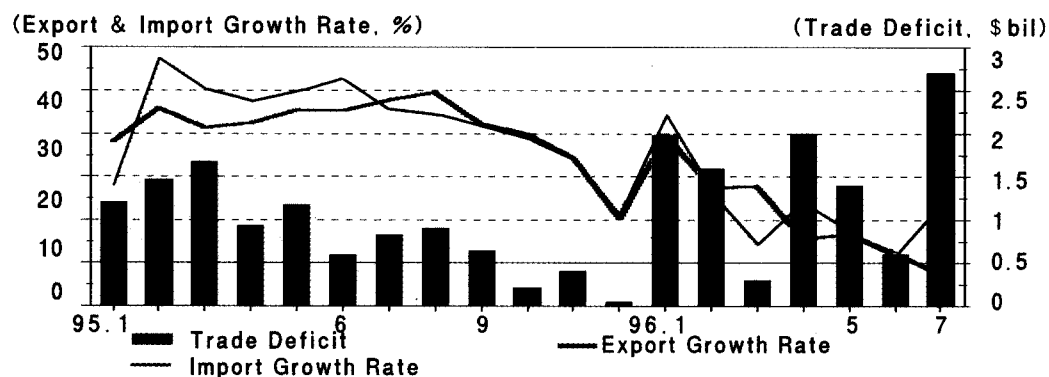
Exchange Rates	95 Q1	Q2	Q3	95 Q4	96 Q1	96 Q2	96.7	96(E)
W / \$	771.5	756.1	768.4	774.7	780.6	809.0	813.3	818
W / 100¥	862.3	896.1	770.5	749.2	725.6	740.0	753.2	772
¥ / \$	87.0	84.8	99.5	103.2	107.3	109.4	107.6	106.0



HRI Economic Statistics

International Trade (US \$ bil)	95 Q1	Q2	Q3	Q4	95	96 Q1	96.4	96.5	96.6	96(E)
Current Account	-3.3	-2.7	-2.2	-0.6	-8.8	-4.1	-2.2	-1.4	-1.1	-17.5
Balance of Trade*	-2.5	-1.7	-0.8	-0.3	-4.7	-2.2	-1.5	-0.8	-0.5	-10.2
Exports(FOB)	26.2	32.1	32.3	34.9	125.2	31.6	10.7	11.3	10.9	133.9
Imports(CIF)	30.4	34.8	34.4	35.4	135.0	35.7	12.7	12.7	11.4	148.9

* balance of payment basis



Stock Markets

Although the fall season is just around the corner, the stock market is still on a downside without any breakthrough at hand. If the stock market is a reflection of the current economic situation, it may be natural. Many adverse factors abound in the market like rising interest rates, the mounting trade deficit, and inflationary expectations.

Stock Market	95 Dec	96 Jan	96 Feb	96 Mar	96 Apr	96 May	96 Jun	96 Jul
Composite Stock Price Index	882.9	878.7	852.8	874.1	980.9	903.1	817.4	821.7
Customer's Amount of Deposit (₩ bil)	2,191	2,032	2,097	2,030	3,201	2,898	2,652	2,589
Traded Volumes (ten thousands)	2,515	2,836	1,906	1,514	6,896	2,513	1,078	2,352

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

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