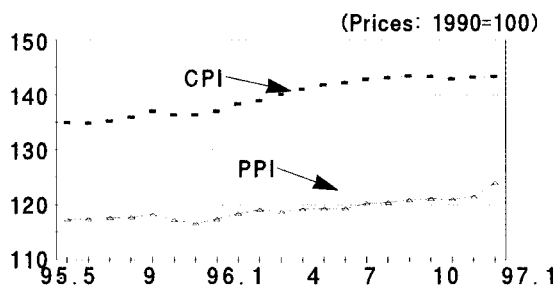


The Economy

Korea's industrial production grew 8.9% last December on a year-on-year basis, which shows that the economy is slowing down when compared to 9.8% of the previous month. The unemployment rate (seasonally adjusted) has been on a constant rise, going from 1.8% last October to 2.2% last November, and then to 2.3% last December, a high since 1989. The trade union strikes in January, the after-shocks of Hanbo problem, and the growing uncertainty about the government's macro policy make it difficult to expect a major economic recovery in the first half of this year. Since the growth rate of wholesale and retail sales continuously contracted through 1996, we will likely witness a further industrial slump and growing unemployment for the first half of this year.

Gross National Product	1992	1993	1994	1995	1996(E)	1997(E)
Growth Rate(%)	5.1	5.8	8.2	9.2	6.9	6.2~6.5
Nominal GNP(US \$ bil)	305.7	330.8	376.9	451.7	482.95	-
GNP per capita(US \$)	7,007	7,513	8,483	10,076	-	-

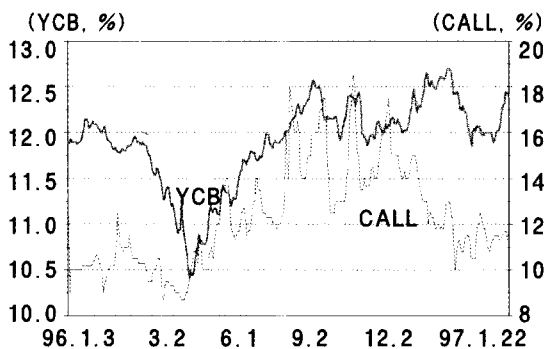
Prices and Interest Rates



Last January the consumer prices and the producer prices rose by 0.8% and 1.0% respectively for the month. High oil prices (9.8% increase for diesel) triggered the inflation. In addition, due to the usual price adjustments of public utility fees and rates, January is typically an inflationary month. Housing prices this winter and education costs are rising to help continue the trend.

Prices*	95 Q4	96 Q1	96 Q2	96 Q3	96 Q4	96(E)	97(E)
Producer Prices(%)	3.4	2.2	1.6	2.3	3.5	3.6	3.3
Consumer Prices(%)	4.7	4.5	5.5	4.7	4.5	4.7	4.5

* Percentage change over a year ago



* YCB: Yields on Corporate Bond

Until mid-February, corporate bond yields remained steady or fell due to the government's intention to keep rates low especially since the Hanbo bankruptcy. After that, the long-standing depreciation of the won against the dollar triggered the expectation of sterilization and a tight money market, plus the report of record-high corporate bond issues in March record high caused institutional investors to invest conservatively. Thus, it jumped to reach 12.45% on the 21st. However,

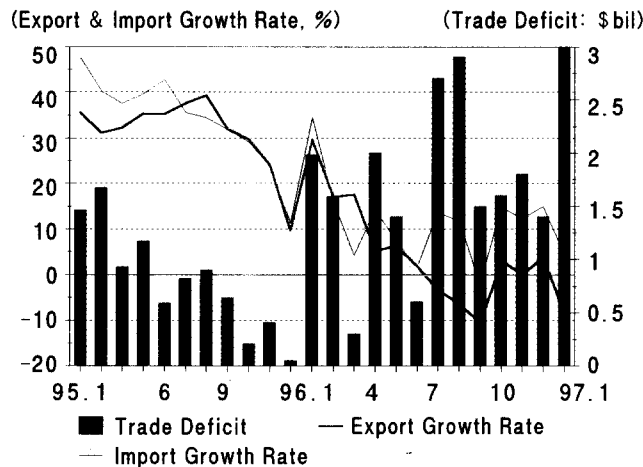
HRI Economic Statistics

the government announced that in March the bond issues would be somewhat suppressed, and the yields on subsided to 12.37% as of the 26th.

Domestic Interest Rates	95 Q4	96 Q1	96 Q2	96 Q3	96 Q4	97.1	97(E)
Call Rate(% p.a.)	15.0	9.0	14.0	16.5	12.3	11.8	-
Yield on CD(%)	12.2	11.4	12.7	14.4	13.4	12.4	-
Yield on Corporate Bonds(%)	11.9	11.4	11.7	12.4	12.6	12.0	11.0~11.5

International Interest Rates	95 Q4	96 Q1	96 Q2	96 Q3	96.12	97.1
EURO \$ (LIBOR, 3 months)	5.625	5.469	5.582	5.625	5.562	5.562
EURO ¥ (3 months)	0.500	0.594	0.602	0.519	0.492	0.500
EURO DM (3 months)	3.816	3.367	3.375	3.125	3.125	3.125

Trade and Exchange Rates

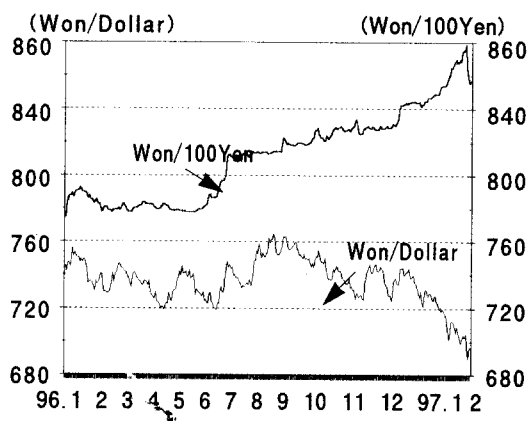


In January exports decreased 8.2% compared to the same period last year. The trade deficit for the month stood at \$3.48 billion. The main reason for the record high trade deficit was that semiconductor exports shrank by 44.2% over the same period last year. However, all other exports increased by a mere 2.0%, which still represents a slowing down from the 3.9% of December 1996. On the imports side, besides the oil price hike that is currently dying down, increasing consumer goods imports (8.6%) led the story, in contrast to capital goods imports, which decreased 9.7% over the same period the previous year.

International Trade (US \$ bil)	95	96 Q1	96 Q2	96 Q3	96.11	96.12	96	97(E)
Current Account	-8.8	-4.1	-4.7	-7.2	-1.9	-1.9	-23.7	-20.7~-21.7
Balance of Trade*	-4.7	-2.2	-2.8	-5.3	-1.2	-1.0	-15.3	-13.2~-14.2
Exports(FOB)	125.2	31.6	32.9	30.1	11.5	12.2	129.7	139.5~140.8
Imports(CIF)	135.0	35.7	36.8	27.0	13.3	13.6	150.3	157.7~160.6

* balance of payment basis

HRI Economic Statistics

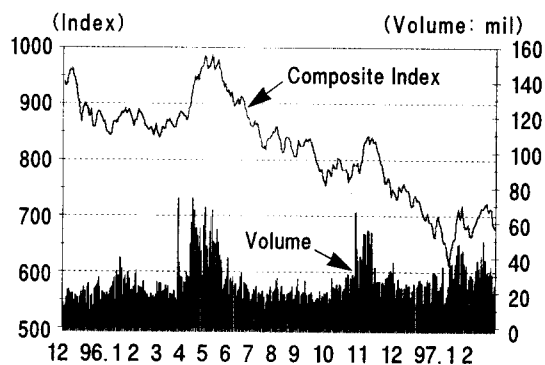


and problems thereafter such as inflation, speculative demand for foreign currency and increasing burden of principal payment on foreign debt.

In February the fast and continual depreciation of won against the dollar has been accelerating for months. On the 18th it reached 878.8 won/dollar, which was when the Bank of Korea intervened to stabilize the exchange rate by checking any further increase of speculative demand for the dollar. As a result on the 21st it marked 855.5 won/dollar. Even if the government could not fundamentally reverse the won depreciating in the face of the trade deficit, it could not but attempt to check the exchange rate depreciation occasionally in this manner to prevent faster depreciation

Exchange Rates	95 Q4	96 Q1	96 Q2	96 Q3	96.11	96.12	97(E)
W / \$	774.7	780.6	809.0	820.6	828.7	844.2	855~870
¥ / \$	103.2	107.3	109.4	111.0	113.9	115.7	114~118

Stock Markets



After being at the 670-680 level in late January, the composite Korean Stock Price Index rose to the 700-720 level in the first two weeks of February, only to come back down to around the 680 level by 21st. There is the expectation that in March the demand will be somewhat strong, but this could be affected by a series of internal and external big events such as the Hanbo problem, the defection of N.K ideologue Hwang Jang-yop, the murder of Lee Han-young, and the death of Chinese leader Deng Xiaoping.

Stock Market.	95 Dec	96 Mar	96 Jun	96 Sep	96 Oct	96 Nov	96 Dec	97 Jan
Composite Stock Price Index	882.9	874.1	817.4	789.7	757.8	726.5	651.2	685.8
Customer Deposits (Wbil)	2,191	2,030	2,652	2,443	2,599	2,479	2,376	2,866
Traded Volume (ten thousands)	2,515	1,514	1,078	2,871	2,849	1,414	3,510	3,199

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

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