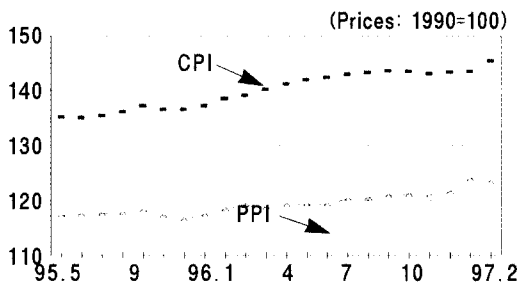


The Economy

Korea's industrial production grew 5.9% in January on a year-on-year basis, a drop of 3% from the previous month. This drop was mainly the result of the trade union strikes that month. The unemployment rate (seasonally adjusted) is still on a constant rise, from 1.8% last October to 2.3% last December, and to 2.4% in January, setting a new record for two consecutive months since 1989. The aftermaths of the Hanbo and Sammi Groups' bankruptcies seem to have been amplified in the form of severe stress on the financial system as a whole, inducing more bankruptcies among numerous small and medium-sized subcontractors. As any significant increase in domestic consumer, investment or export demand has yet to be witnessed, further industrial contraction and high unemployment will very likely remain the state of affairs.

Gross National Product	1992	1993	1994	1995	1996	1997(E)
Growth Rate(%)	5.1	5.8	8.6	8.9	7.1	5.7~5.9
Nominal GNP(US \$ bil)	305.7	330.8	378.0	452.6	480.4	-
GNP per capita(US \$)	7,007	7,484	8,467	10,037	10,548	-

Prices and Interest Rates

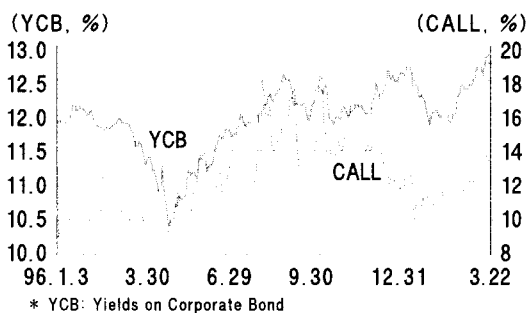


In February consumer prices and producer prices rose by 1.3% and 0.6% respectively from the previous month. Agricultural products' prices rose seasonally after the lunar new year's holidays by 2.9%, but other consumer prices of manufactured goods and services remained stable. So did producer prices, which rose 3.6% compared to a year ago. Inflationary pressure seems to have weakened somewhat, encouraging

the government lower its inflationary target from 4.5% per year to 4.0% per year. This was partly due to the prospect that this year growth demand may not be as great as last year. However, import prices are rising, and the terms of trade are worsening.

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	3.2	3.8
Consumer Prices(%)	4.7	4.5	5.5	4.7	4.5	4.5	4.6~4.7

* Percentage change over a year ago



In March, the yields on corporate bonds have risen continually and rapidly from around 12.4% early in the month to 13.0% as of the 24th, a high since September 1995. The expectation of a tight money policy to stabilize the money supply and the speculative demand for money due to the never-ending depreciation of the won against the dollar have caused businesses to vie for a more precautionary balance, while bank loans and

* Note: all figures are for the end of the period unless noted otherwise.

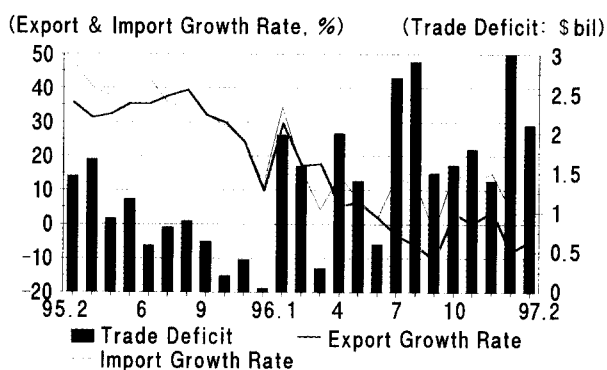
HRI Economic Statistics

payment guarantees on commercial papers are being granted more conservatively after Hanbo and Sammi problems. In April corporate bond issues will be reduced by more than 33%. However, this may not be large enough to stop the rising corporate bond rate, since none of the factors that contributed to this month's trend will likely vanish soon and payments on most of the Hanbo Group's commercial papers are due.

Domestic Interest Rates	95 Q4	96 Q1	96 Q2	96 Q3	96 Q4	97.1	97.2	97(E)
Call Rate(% p.a.)	15.0	9.0	14.0	16.5	12.3	11.8	12.4	-
Yield on CD(%)	12.2	11.4	12.7	14.4	13.4	12.4	12.5	-
Yield on Corporate Bonds(%)	11.9	11.4	11.7	12.4	12.6	12.0	12.4	10.7~11.2

International Interest Rates	95 Q4	96 Q1	96 Q2	96 Q3	96.12	97.1	97.2
EURO \$ (LIBOR, 3 months)	5.625	5.469	5.582	5.625	5.562	5.562	5.539
EURO ¥ (3 months)	0.500	0.594	0.602	0.519	0.492	0.500	0.508
EURO DM (3 months)	3.816	3.367	3.375	3.125	3.125	3.125	3.250

Trade and Exchange Rates



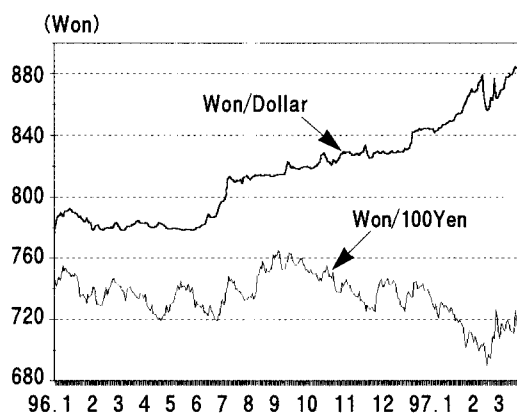
In February exports decreased 4.9% compared to the same period last year and the trade deficit for the month was recorded at \$2.11 billion, a small relief from the 8.2% decrease and \$3.48 billion deficit in January. The main reason for the trade deficit was again the shrinking of semiconductor exports by 41.4% over the same period last year. Exports excluding semiconductors increased by 3.9%, again a small improvement over the 1.5% increase of last January.

Consumer goods and capital goods imports rose by 1.0% and 4.1% respectively over the same period the previous year, in contrast to 8.6% and -9.7% respectively in January.

International Trade (US \$ bil)	95	96 Q1	96 Q2	96 Q3	96.11	96.12	96	97.1	97(E)
Current Account	-8.8	-4.1	-4.7	-7.2	-1.9	-1.9	-23.7	-3.1	-19~-20.0
Balance of Trade*	-4.7	-2.2	-2.8	-5.3	-1.2	-1.0	-15.3	-2.3	-13.2~-14.2
Exports(FOB)	125.2	31.6	32.9	30.1	11.5	12.2	129.7	9.1	139.5~140.8
Imports(CIF)	135.0	35.7	36.8	27.0	13.3	13.6	150.3	12.5	157.7~160.0

* balance of payment basis

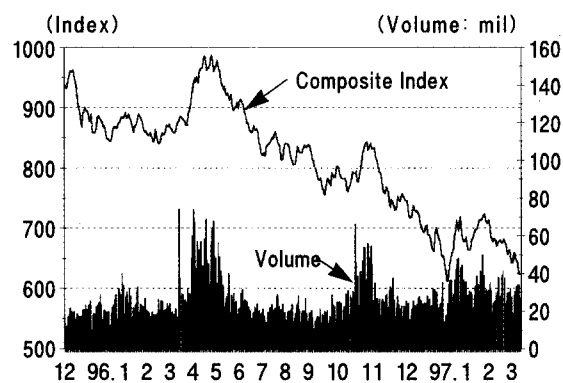
HRI Economic Statistics



In March, the won depreciated against the dollar rapidly from 863.9 won/dollar at the end of February to 879.0 won/dollar on the 15th of March, and then to 887.3 won/dollar, a high since 1986. The Bank of Korea's attempt to block the won's overly rapid fall since February 18 lost its credibility due to the shortage in its dollar reserve. Domestic banks and firms are incurring additional costs when borrowing from abroad after the Hanbo problem, and firms abroad are increasingly hoarding dollars over the won. This trend is likely to continue in April.

Exchange Rates	95 Q4	96 Q1	96 Q2	96 Q3	96 Q4	97.1	97.2	97(E)
₩ / \$	774.7	780.6	809.0	820.6	844.2	861.3	863.9	880~900
¥ / \$	103.2	107.3	109.4	111.0	115.7	121.4	120.6	114~118

Stock Markets



The composite Korean Stock Price Index in March sank on average down to 640-650 level, well below 680, its February level, and even marked 617.26 on the 24th. The aftermath of the Sammi bankruptcy, record high interest rates and the rapid depreciation of the won against the dollar scaring away foreign investors are presumed to be depressing factors, which are, then again, here to stay further into April. Therefore, in April we expect the KOSPI to hover around 620-680.

Stock Market.	95 12	96.3	96.6	96.9	96.10	96.11	96.12	97.1	97.2
Composite Stock Price Index	882.9	874.1	817.4	789.7	757.8	726.5	651.2	685.8	673.5
Customer Deposits (₩bil)	2,191	2,030	2,652	2,443	2,599	2,479	2,376	2,866	2,879
Traded Volume (ten thousands)	2,515	1,514	1,078	2,871	2,849	1,414	3,510	3,199	3,780

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

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