

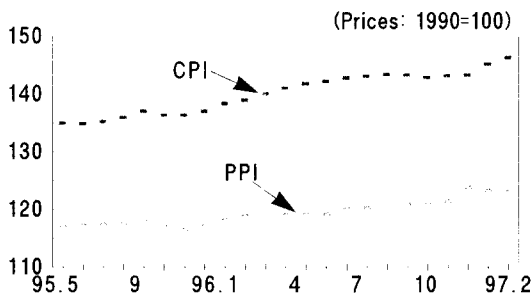
### The Economy

Korea's industrial production rose 9.1% in March on a year-on-year basis, 3% points higher than February's 6.1%. The jump was partially attributed to buoyant capital investment, particularly machinery orders. The unemployment rate (seasonally adjusted) continues to rise, reaching 3.4% in March, the highest level since February 1993. Firms are delaying or minimizing new hiring until the economic situations are a bit more stable.

While the high unemployment rate is worrisome, some are beginning to feel that the economic downtrend has already bottomed out.

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

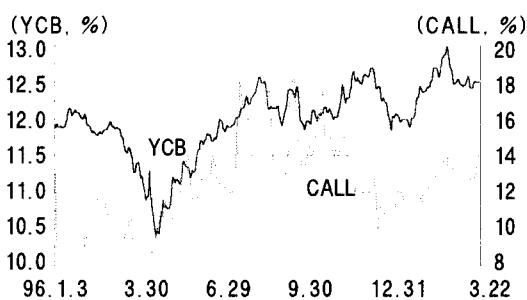


In March, consumer prices rose 4.5% on a year on year basis. To date, prices only rose 1.7% in the first three months of 1997, the lowest level since 1989. The low inflationary pressure was led by the stable prices in the services industry, which have only risen 1.9% since the end of last year. Nonetheless, Korea's inflation is still high, particularly in comparison to the advanced economies. For example, in spite of its economic vigor for such a long period, the

U.S. has kept inflation at around the 2% level, and in Japan, the inflation rate is virtually zero.

Prices*	96 Q1	96 Q2	96 Q3	96 Q4	96	97(E)	97 Q1
Producer Prices(%)	2.2	1.6	2.3	3.5	3.2	3.8	3.8
Consumer Prices(%)	4.5	5.5	4.7	4.5	4.5	4.6~4.7	4.5

\* Percentage change over a year ago



\* YCB: Yields on Corporate Bond

In April, the yields on corporate bonds turned steadily downward due to the government's commitment to keep the interest rates low with a flexible money supply, shrinking precautionary and speculative demand for money as aftershocks of the major bankruptcies faded and the dollar appreciates less rapidly, and reduced bond issues under conservative payment guarantees by the banks. In May the yields on corporate bonds are expected to

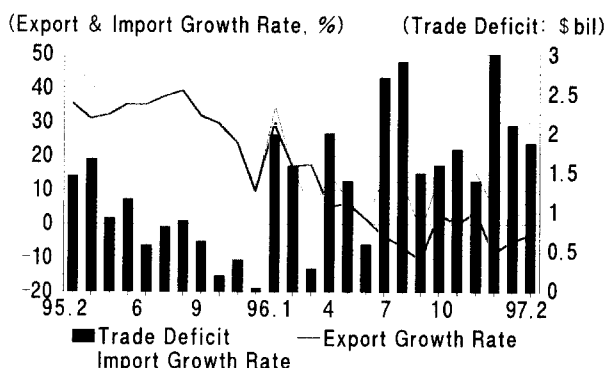
## HRI Economic Statistics

remain stable due again to the government's targeting of low interest rates. The bond issues will rise by about 13.2% in May over the previous month, which may not affect the rate much given the government's commitment to low interest rates and measures to fight bankruptcies.

Domestic Interest Rates	95 Q4	96 Q1	96 Q2	96 Q3	96 Q4	97.2	97. Q1	97(E)
Call Rate(% p.a.)	15.0	9.0	14.0	16.5	12.3	12.4	13.0	-
Yield on CD(%)	12.2	11.4	12.7	14.4	13.4	12.5	13.5	-
Yield on Corporate Bonds(%)	11.9	11.4	11.7	12.4	12.6	12.4	12.5	10.7~11.2

International Interest Rates	96 Q1	96 Q2	96 Q3	96.12	97.1	97.2	97.3
EURO \$ (LIBOR, 3 months)	5.469	5.582	5.625	5.562	5.562	5.539	5.773
EURO ¥ (3 months)	0.594	0.602	0.519	0.492	0.500	0.508	0.578
EURO DM (3 months)	3.367	3.375	3.125	3.125	3.125	3.250	3.250

### Trade and Exchange Rates



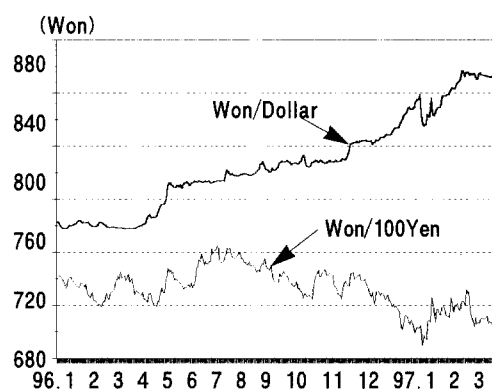
In March, exports only decreased 2.8% on a customs clearance basis, a marked improvement over the drops of 9% and 5.3% in January and February, respectively. The current account deficit for March was \$2.27 billion, also an improvement over January's \$3.16 billion and February's \$2.5 billion. The main reason for this relative improvement was the rise in exports of automobiles, machinery and metal goods, which rose 11%, 15%, and 16% respectively.

The rising trend combined with the expectations that oil prices will moderate toward the end of the year are making many optimistic that Korea's current account deficit will shrink from last year's record \$23.72 billion. In April, exports actually increased 7% over the previous year, breaking what seemed like an endless string of export drops.

International Trade (US \$ bil)	95	96 Q1	96 Q2	96 Q3	96.11	96.12	96	97.1	97.2	97(E)
Current Account	-8.8	-4.1	-4.7	-7.2	-1.9	-1.9	-23.7	-3.1	-2.5	-19~-20.0
Balance of Trade*	-4.7	-2.2	-2.8	-5.3	-1.2	-1.0	-15.3	-2.3	-1.8	-13.2~-14.2
Exports(FOB)	125.2	31.6	32.9	30.1	11.5	12.2	129.7	9.1	9.4	139.5~140.8
Imports(CIF)	135.0	35.7	36.8	27.0	13.3	13.6	150.3	12.5	11.5	157.7~160.0

\* balance of payment basis

## HRI Economic Statistics

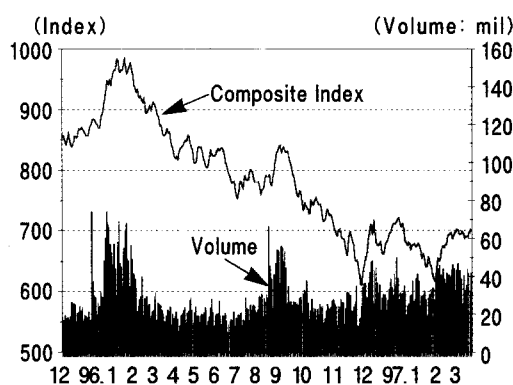


In April, the won/dollar exchange rate has remained fairly stable, hovering in the 890 range. This stability has been largely attributed to the decrease in speculative demand stemming from increased borrowing from overseas for SOC investment, the relaxation of government regulations on banks concerning overseas borrowing and the increase in firms' overseas loans. Given the influx of foreign capital expected from the raising of the investment ceiling for foreign investors combined with Korea's improving trade performance and the govern-

ment's announcement of measures for increased capital liberalization, it does not seem likely that the exchange rate will rise any higher in the near future.

Exchange Rates	95 Q4	96 Q1	96 Q2	96 Q3	96 Q4	97.2	97 Q1	97(E)
₩ / \$	774.7	780.6	809.0	820.6	844.2	863.9	897.1	880~900
¥ / \$	103.2	107.3	109.4	111.0	115.7	120.6	124.1	114~118

### Stock Markets



The composite Korean Stock Price Index has shown some renewed vitality as of late, finally breaking the 700 pt. barrier in April. The average daily trading volume has been above 40 million shares, and customer deposits at brokerage houses have stayed above the 3 trillion won mark. The improvement in the market has been attributed to the increased demand for shares relative to supply, heavy buying in anticipation of the rise in the stock ownership limit for foreign investors, and the stable interest rates. The improvements in Korea's export performance and other positive signs in the most recent economic data should help the KOSPI to maintain this bullish trend.

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Stock Market.	96.3	96.6	96.9	96.10	96.11	96.12	97.1	97.2	97.3
Composite Stock Price Index	874.1	817.4	789.7	757.8	726.5	651.2	685.8	673.5	677.3
Customer Deposits (₩bil)	2,030	2,652	2,443	2,599	2,479	2,376	2,866	2,879	2,942
Traded Volume (ten thousands)	1,514	1,078	2,871	2,849	1,414	3,510	3,199	3,780	4,396

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

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