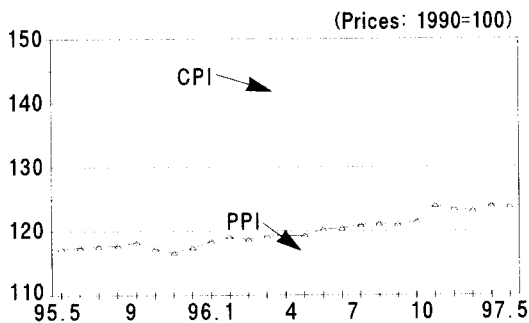


The Economy

The Korean economy showed some mixed signs in May. Industrial production climbed only 6.1 percent in May on a year-on-year basis, down from April's 10.4%. The average capacity utilization ratio of manufacturing firms also fell from April's 82.5% to 79.3% in May, while machinery orders dropped 8% from a year ago. On the other hand, unemployment continued to drop even further to 2.5% from April's 2.8%, and the inventory growth rate also dropped to 11.7%, the lowest since Sept. 1995. All in all, recovery appears to have begun, but not in earnest.

	1992	1993	1994	1995	1996	1997(E)
GDP Growth Rate(%)	5.1	5.8	8.6	8.9	7.1	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	-

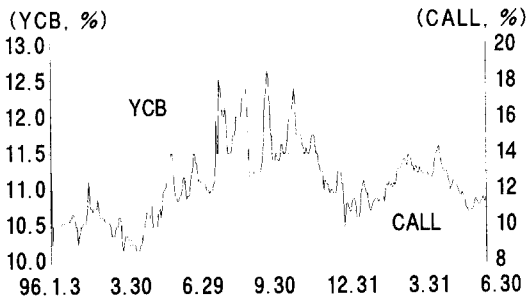
Prices and Interest Rates



Consumer prices rose a moderate 0.2 in June over May. As a result, consumer prices increased 4.4 percent in the first six months of this year compared with the same period last year, the lowest rise in 10 years. Low price increases in agricultural products, manufactured goods, and services have helped keep inflation down. Even though consumer demand is expected to pick up somewhat in the second half, the Government seems confident that it will be able to meet its inflation target of 4.5% this year.

Prices*	96 Q1	96 Q2	96 Q3	96 Q4	96	97(E)	97.5
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	4.3

* Percentage change over a year ago



* YCB: Yields on Corporate Bond

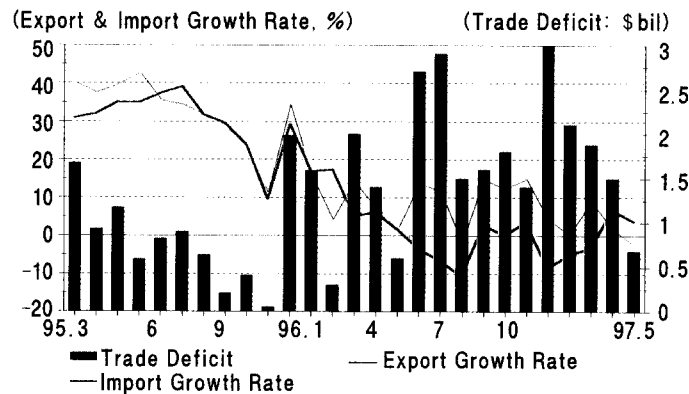
Interest rates continue to stay relatively low. In June, the yields on 3-year corporate bonds fell to 11.38%, the lowest rate since June of last year, although they have since edged up to 11.57% as of July 3. Firms' demand for money still remains relatively low, particularly with their improving export performance, and domestic investment is not expected to pick up very much in the second half of this year.

HRI Economic Statistics

Domestic Interest Rates	95 Q4	96 Q1	96 Q2	96 Q3	96 Q4	97. Q1	97. Q2	97(E)
Call Rate(% p.a.)	15.0	9.0	14.0	16.5	12.3	13.0	11.5	-
Yield on CD(“)	12.2	11.4	12.7	14.4	13.4	13.5	12.0	-
Yield on Corporate Bonds(“)	11.9	11.4	11.7	12.4	12.6	12.5	11.8	10.7~11.2

International Interest Rates	96 Q2	96 Q3	96 Q4	97.1	97.2	97.3	97.4	97.5
EURO \$ (LIBOR, 3 months)	5.582	5.625	5.562	5.562	5.539	5.773	5.859	5.813
EURO ¥ (3 months)	0.602	0.519	0.492	0.500	0.508	0.578	0.582	0.588
EURO DM (3 months)	3.375	3.125	3.125	3.125	3.250	3.250	3.215	3.188

Trade and Exchange Rates



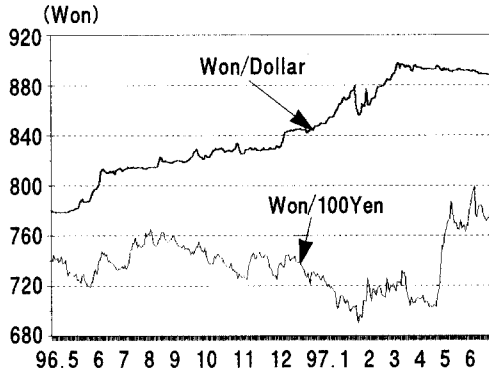
For the first time in 30 months, the Korean economy experienced a monthly trade surplus. Preliminary MOTIE figures showed that exports in June jumped 9.2% to reach a record \$12.3 billion, while imports only increased 4.4% to \$12.2 billion for a surplus of almost \$100 million. The strong trade performance was attributed to improved exports of semiconductors, petrochemicals, and iron and steel. While

some caution that this surplus is only temporary, since the trade balance traditionally worsens in July and August, many feel that the appreciation of the Japanese yen will further enhance Korea's export prospects. To date, Korea has recorded a trade gap of \$9.35 billion this year.

International Trade (US \$ bil)	95	96 Q1	96 Q2	96 Q3	96 Q4	96	97.1	97.2	97.3	97.4	97.5	97(E)
Current Account	-8.8	-4.1	-4.7	-7.2	-6.4	-23.7	-3.1	-2.5	-2.3	-1.7	-	-19~20.0
Balance of Trade*	-4.7	-2.2	-2.8	-5.3	-4.0	-15.3	-2.3	-1.8	-1.4	-0.8	-	-13.2~14.2
Exports(FOB)	125.2	31.6	32.9	30.1	35.5	129.7	9.1	9.4	11.4	11.4	11.7	139.5~140.8
Imports(CIF)	135.0	35.7	36.8	27.0	40.5	150.3	12.5	11.5	13.2	12.9	12.4	157.7~160.0

* balance of payment basis

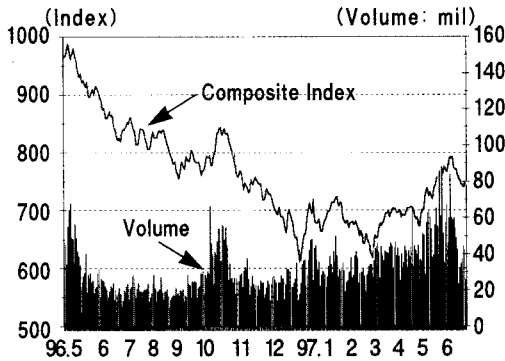
HRI Economic Statistics



The won/dollar exchange rate continued to remain stable in June, gradually falling below the 890 level on June 13 for the first time in two months. The exchange rate has been gradually falling due to Korea's improving export performance and the additional inflow of foreign capital. Until now, the monetary authorities have been buying up dollars in international markets to help boost the exchange rate, but they are likely to be less active for fear of the oversupply of money. Thus, the won/dollar rate is expected to edge down in July.

Exchange Rates	95 Q4	96 Q1	96 Q2	96 Q3	96 Q4	97 Q1	97 Q2	97(E)
₩ / \$	774.7	780.6	809.0	821.2	844.2	897.1	888.1	880~900
¥ / \$	102.7	102.7	109.8	110.9	116.0	123.8	114.3	114~118

Stock Markets



The KOSPI surged to a recent high of 792.29 on June 17th, with the daily trading volume reaching 80 million shares at one point, only to plunge back down to 738.43 on June 27th. The sudden drop was caused by the slight bump in interest rates and the slowing appreciation of the yen, along with the announcement that the Government will list Korea Telecom stocks on the market in the fall. Since then, though, the KOSPI has risen again above the 770 level, bolstered by recent release of data hinting at economic recovery such as June's monthly trade surplus.

Stock Market.	96.10	96.11	96.12	97.1	97.2	97.3	97.4	97.5	97.6
Composite Stock Price Index	757.8	726.5	651.2	685.8	673.5	677.3	703.2	756.8	745.4
Customer Deposits (₩bil)	2,599	2,479	2,376	2,866	2,879	2,942	3,043	3,345	3,337
Traded Volume (ten thousands)	2,849	1,414	3,510	3,199	3,780	4,396	4,365	3,889	2,925

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

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