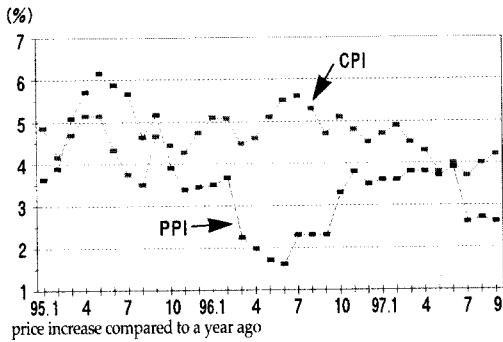


## The Economy

The Korean economy went through a rocky month in October, with the financial markets taking beating. In fact, the won has depreciated against the dollar so much that Korea's per capita GNP as measured in dollars will actually decrease this year. On the brighter side, industrial output rose 10.1% on a year-on-year basis compared to August's 9.7%, thanks to healthy exports. However, consumption indicators fell, with wholesale and retail sales only rising a year-on-year 4.1% in September.

	1992	1993	1994	1995	1996	1997(E)
GDP Growth Rate(%)	5.1	5.8	8.6	8.9	7.1	6.3
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



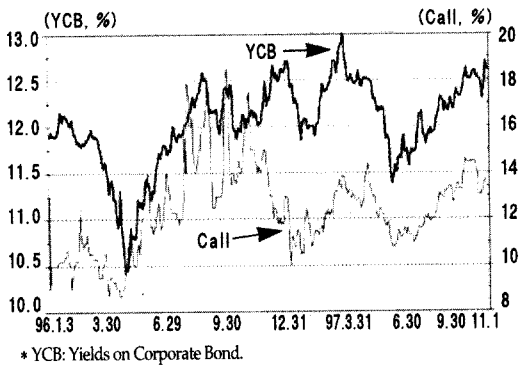
In October, prices rose 4.2% on a year-on-year basis, which is the same level as September's. The steady price levels were attributed to low farm prices due to good harvests and sluggish domestic demand. The Government maintains that it will easily meet the yearly inflation target of 4.5% for 1997. However, many are worrying that the rapid devaluation of the won and subsequent rise in import prices, particularly oil, will lead to a significant increase in price levels, which will be

aggravated by the turmoil surrounding the upcoming December presidential election.

Prices*	96 Q1	96 Q2	96 Q3	96 Q4	96	97Q1	97Q2	97Q3	97(E)
Producer Prices(%)	2.2	1.6	2.3	3.5	3.2	3.8	3.9	2.6	-
Consumer Prices(%)	4.5	5.5	4.7	4.5	4.5	4.5	4.0	4.2	4.3

\* Percentage change over a year ago

## Interest Rates



\* YCB: Yields on Corporate Bond.

Interest rates continued their upward descent in October, although the rates did not move as much as the stock or foreign exchange markets. However, Standard and Poor's and Moody's both lowered their ratings of Korea's international credit, which will make it even more difficult for Korean firms to obtain overseas funding. In addition, the continued devaluation of the won will make it even more expensive for firms to pay back their external debt.

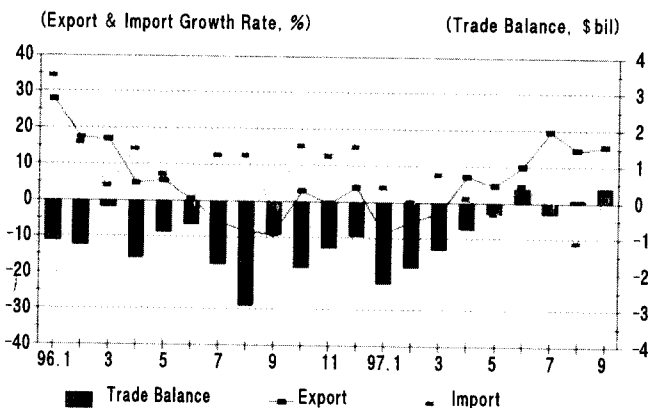
\* Note: all figures are for the end of the period unless noted otherwise.

## HRI Economic Statistics

Domestic Interest Rates	95 Q4	96 Q4	97 Q1	97 Q2	97 Q3	97.11.1	97(E)
Call Rate(% p.a.)	15.0	12.3	13.0	11.5	14.50	13.40	-
Yield on CD(“)	12.2	13.4	13.5	12.0	13.75	13.70	-
Yield on Corporate Bonds(“)	11.9	12.6	12.5	11.8	12.60	12.60	11.5~11.8

International Interest Rates	96 Q2	96 Q3	96 Q4	97Q1	97Q2	97.7	97.8	97.9	97.10
EURO \$ (LIBOR, 3 months)	5.582	5.625	5.562	5.773	5.781	5.707	5.726	5.769	5.750
EURO ¥ (3 months)	0.602	0.519	0.492	0.578	0.656	0.609	0.578	0.562	0.531
EURO DM (3 months)	3.375	3.125	3.125	3.250	3.125	3.219	3.324	3.406	3.688

### Trade



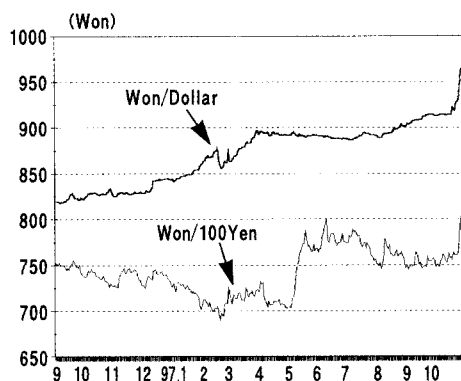
Korea's trade balance continues to be one of the few bright spots in the economy. According to the Bank of Korea, exports in September increased 16.6% over the previous year to reach \$11.64 billion, thanks to strong exports of semiconductors, heavy and chemical products. Meanwhile imports increased a mere 3% to \$11.23 billion due a decrease in capital and consumer goods. As a

result of this \$410 million trade surplus in September, the current account deficit fell to \$430 million in September, making the total current account deficit for 1997 to date \$12.280 billion, a sharp contrast from the \$17.38 billion recorded at the same time last year.

International Trade (US \$ bil)	95	96 Q1	96 Q2	96 Q3	96 Q4	96	97Q1	97Q2	97Q3	97(E)
Current Account	-8.8	-4.1	-4.7	-7.2	-6.4	-23.7	-7.4	-2.7	-2.1	-14.4
Balance of Trade*	-4.7	-2.2	-2.8	-5.3	-4.0	-15.3	-5.4	-0.6	0.2	-6.0
Exports(FOB)	125.2	31.6	32.9	30.1	35.5	129.7	29.7	35.6	34.4	137.0
Imports(CIF)	135.0	35.7	36.8	27.0	40.5	150.3	37.1	37.3	35.7	148.2

\* balance of payment basis

### Exchange Rates

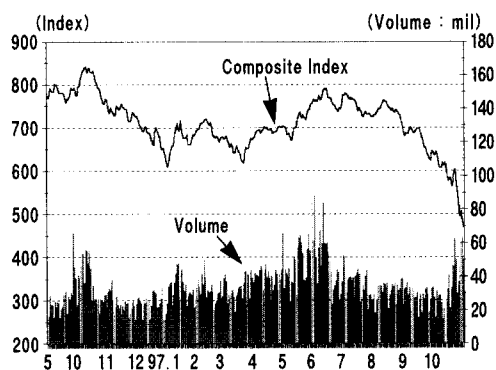


The won/dollar exchange rate skyrocketed in October, reaching 984.70 at one point in daily trading before settling in the mid-960 range, thanks to the firm intervention of the central bank. Altogether, the won fell about 5.2% percent against the dollar in October and has fallen about 14% for the year. Many are speculating that the won will continue to slide given the ailing stock markets and the general financial woes throughout Asia, although the Bank of Korea remains confident that its foreign exchange reserves, which totalled \$30.51 billion at the end

of October, are sufficient to maintain the won at the present level.

Exchange Rates	95 Q4	96 Q4	97 Q1	97 Q2	97.11.1	97Q4(E)
W / \$	774.7	844.2	897.1	888.1	964.60	970
¥ / \$	102.7	116.0	123.8	114.3	120.39	118~122

### Stock Markets



In line with the other stock market crashes in Asia and throughout the world, the Korean stock market took a tremendous nosedive in October, bottoming out at 470.79 on October 31 before recovering to near the 500-pt. level shortly after. Foreign investors have been pulling out of the market in massive waves, selling off even former favorites such as KEPCO. The raising of the foreign investment ceiling from 23% to 26% should lead technical rebound, but it remains to be seen whether investors will regain confidence in the market given the continuously sliding

won and fears of even more big bankruptcies.

Stock Market.	96.12	97.3	97.6	97.7	97.9.27	97.11.1
Composite Stock Price Index	651.2	677.3	745.4	733.9	629.42	497.22
Customer Deposits (Wbil)	2,376	2,942	3,337	3,114	2,524.9	2,907.2
Traded Volume (ten thousands)	3,510	4,396	2,925	2,829	1,919.8	4,111.1

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

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