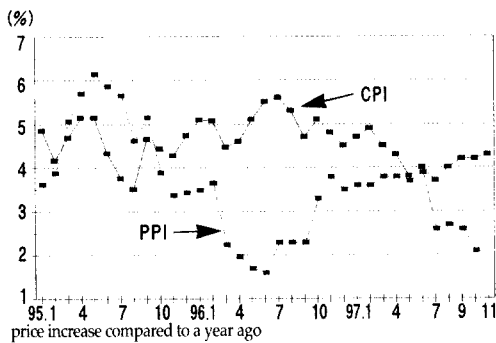


The Economy

As part of the IMF bailout package, Korea's GDP growth target for next will be lowered to 3% or lower, which will undoubtedly lead to much higher unemployment. On a brighter note, industrial output rose 12.2% in October year-on-year, up from the 10.1% recorded in September. The higher industrial production was attributed to strong exports of semiconductors, ships, oil refining and chemical goods. Unemployment also edged down from September's 2.2% to 2.1% in October.

	1992	1993	1994	1995	1996	1997(E)
GDP Growth Rate(%)	5.1	5.8	8.6	8.9	7.1	6.2
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

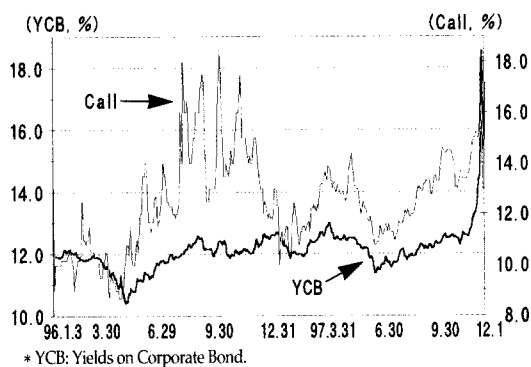


As of October 31, consumer prices have risen 4.2 percent from a year ago, which is 0.8% lower than last year's 5.0%. Given the healthy agricultural production this year, prices are expected to stay relatively stable through the end of the year. However, the won's tremendous depreciation against the dollar is expected to fuel inflationary pressure. Under the conditions of the IMF bailout package, consumer prices are expected rise between 4.8 and 5.3% next year.

Prices*	96 Q1	96 Q2	96 Q3	96 Q4	96	97Q1	97Q2	97Q3	97.10	97(E)
Producer Prices(%)	2.2	1.6	2.3	3.5	3.2	3.8	3.9	2.6	2.1	-
Consumer Prices(%)	4.5	5.5	4.7	4.5	4.5	4.5	4.0	4.2	4.2	4.3

* Percentage change over a year ago

Interest Rates



Interest rates shot rapidly upward in October due to the tight market liquidity caused in large part by the financial difficulties of merchant banks. The inflow of funds from the IMF expected in early December should improve the liquidity situation to some degree, but the IMF's strict conditions will most likely result in more bankruptcies among firms and financial institutions. With the IMF's conditions, interest rates are expected to hover between 18 and 20% next year.

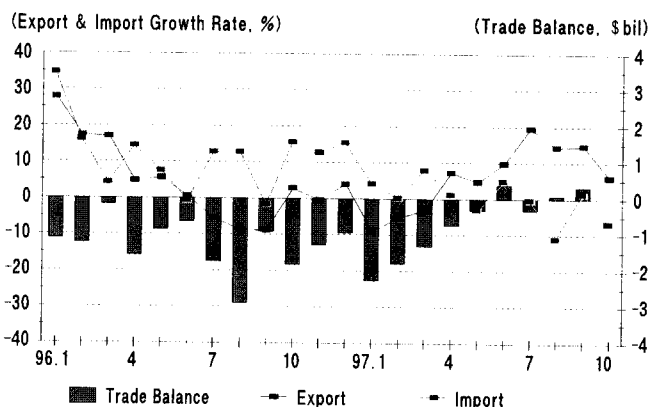
* Note: all figures are for the end of the period unless noted otherwise.

HRI Economic Statistics

Domestic Interest Rates	95 Q4	96 Q4	97 Q1	97 Q2	97 Q3	97.12.1	97(E)
Call Rate(% p.a.)	15.0	12.3	13.0	11.5	14.50	13.00	-
Yield on CD(“)	12.2	13.4	13.5	12.0	13.75	15.00	-
Yield on Corporate Bonds(“)	11.9	12.6	12.5	11.8	12.60	17.50	18~20

International Interest Rates	96 Q2	96 Q3	96 Q4	97Q1	97Q2	97Q3	97.10	97.11
EURO \$ (LIBOR, 3 months)	5.582	5.625	5.562	5.773	5.781	5.769	5.750	5.902
EURO ¥ (3 months)	0.602	0.519	0.492	0.578	0.656	0.562	0.531	0.594
EURO DM (3 months)	3.375	3.125	3.125	3.250	3.125	3.406	3.688	3.762

Trade



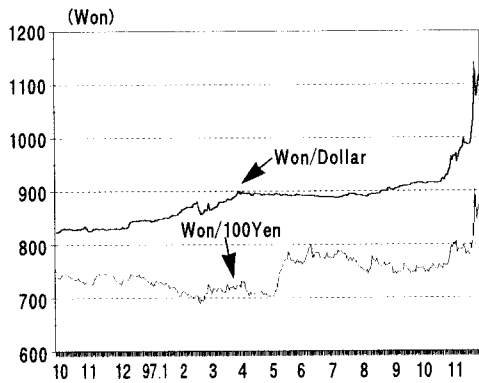
The Korean economy continues to register a strong performance in trade. According to the Bank of Korea, the trade deficit narrowed to \$14.2 million in October, much lower than last October's \$1.83 billion. Exports increased 5.8% over the previous year to reach \$12.54 billion, led by semiconductors, chemical products, machinery and metals products. The current account also narrowed to \$680.6 million, significantly down from last year's \$2.51 billion for the same month. The current account deficit for the first 10 months of 1997 is \$13.2 billion as compared to the \$19.79 billion registered the same period last year.

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International Trade (US \$ bil)	96 Q1	96 Q2	96 Q3	96 Q4	96	97Q1	97Q2	97Q3	97.10	97(E)
Current Account	-4.1	-4.7	-7.2	-6.4	-23.7	-7.4	-2.7	-2.1	-0.7	-13.3
Balance of Trade*	-2.2	-2.8	-5.3	-4.0	-15.3	-5.4	-0.6	0.2	0.0	-4.7
Exports(FOB)	31.6	32.9	30.1	35.5	129.7	29.7	35.6	34.4	12.5	137.0
Imports(CIF)	35.7	36.8	27.0	40.5	150.3	37.1	37.3	35.7	12.6	147.1

* balance of payment basis

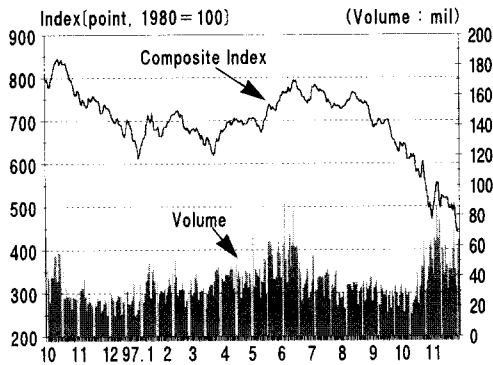
Exchange Rates



After the newly appointed economic team announced that the daily permissible fluctuation band was being expanded from 2.25% to 10%, the value of the won only accelerated its downward spiral, with the exchange rate hitting 1,200 won/dollar at one point. After the announcement of the request for the IMF bailout package, the exchange rate stabilized to some degree, but the demand for dollars remained high since the IMF aid would not be coming until mid-December or so and firms needed dollars to settle their debts.

Exchange Rates	95 Q4	96 Q4	97 Q1	97 Q2	97 Q3	97.10	97.11	95(E)
W / \$	774.70	844.20	897.10	888.10	914.80	965.10	1163.80	1000~1050
¥ / \$	102.80	116.00	123.75	114.60	120.36	120.39	127.78	125~130

Stock Markets



In November, the Korean stock market suffered what could be considered its worst month in history. The KOSPI index plunged to 407.9 at the end of November, the lowest level in ten years. During the month there were no winners—virtually every stock declined. What is worse, many are expecting the stock market to remain flat or drop even lower for the time being since investors are worrying about additional bankruptcies. However, it has been reported that the foreign stock ownership ceiling will be raised to 50%, which could provide

some vitality to an otherwise lifeless market.

Stock Market.	96.12	97.3	97.6	97.9	97.10	97.11
Composite Stock Price Index	651.2	677.3	745.4	647.1	470.8	407.9
Customer Deposits (₩bil)	2,376	2,942	3,337	2,565	2,907	2,941
Traded Volume (ten thousands)	3,510	4,396	2,925	3,272	5,066	3,269

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

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