

## HRI Economic Statistics

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

### The Economy

HRI predicts that Korea's GDP will drop by around 1 percent this year, the first year of negative growth since 1980. Domestic consumption has been dropping rapidly, with total consumption expected to be down about - 5.7 for the year.. Investment is also expected to plunge this year, given the growing uncertainties about future business conditions and the slowdown in the domestic market. However, if restructuring is successfully completed, we predict that the Korean economy will begin to recover next year, although at a rate lower than before the crisis.

	1992	1993	1994	1995	1996	1997	1998(E)
GDP Growth Rate(%)	5.1	5.8	8.6	8.9	7.1	5.5	-1.0
Nominal GDP(US \$ bil)	307.9	332.8	380.7	456.5	484.4	442.6	328
GNP per capita(US \$)	7,007	7,484	8,467	10,037	10,548	9,511	6,974
Gross saving rate	34.9	35.2	35.4	36.2	34.8	34.6	-
Growth rate of final consumption expenditure	6.8	5.3	7.0	7.2	6.9	3.5	-5.7
Growth rate of gross fixed capital formation	-0.8	5.2	11.8	11.7	7.1	-3.5	-24.0

### Industry

Domestic expenditures have severely dropped from the end of last year. Reflecting the recent weak final demand, inventory adjustment pressures have been intensifying, and industrial production has continued to decline. This has consequently been exerting a negative influence on corporate profits, employment, and income conditions. Korean industrial production fell by 10.1% in March year-on-year. Rising unemployment will aggravate the weak trend in retail sales. Wholesale and retail trade indexes are down 10.6% y-o-y.

	1995	1996	1997	1997.12	1998.1	1998.2	1998.3
Industrial Production Indexes	12.0	7.3	6.9	3.0	-10.8	-1.7	-10.1
Wholesale and retail trade indexes	8.0	7.0	3.2	-4.9	-8.7	-11.4	-10.6
Domestic machinery orders received	15.8	16.5	3.3	-10.0	-31.1	-28.0	-50.6
Domestic construction orders received	24.4	21.4	4.7	-35.1	-19.3	-19.9	-29.6

### Employment

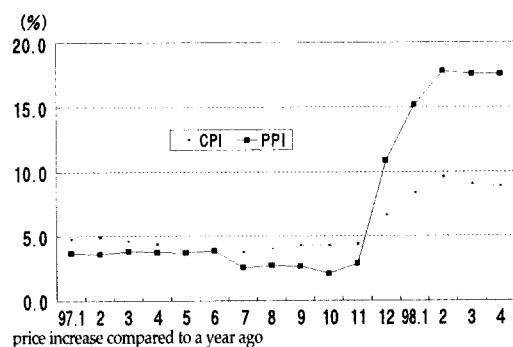
The poor macroeconomic environment has made the labor market shrink drastically. Manufacturing payrolls in March amounted to 3,998,000 down by 50,000 from the 4,050,000 of February. As corporate bankruptcies continue in the endless recession tunnel, unemployment rate

## HRI Economic Statistics

overwhelmingly has risen to 6.5% up by almost 4% in only three months. With further cutbacks in production likely, Korea's unemployment rate could rise above 7% by the end of year.

	1995	1996	1997	1998.1	1998.2	1998.3
Total employed(thousand)	20,377	20,764	21,048	19,711	19,526	19,892
Manufacturing Employed(thousand)	4,773	4,677	4,474	4,196	4,500	3,998
Unemployment rate(%)	2.0	2.0	2.6	4.7	5.9	6.5

### Prices

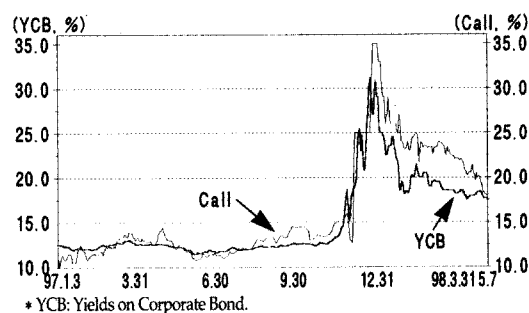


Consumer prices rose 8.8% in April, a continued improvement over March's 9.0% and February's 9.5%. However, the consumer price index rose 0.3% over March's level, compared to March's 0.2% decline. Prices of factory-produced items went up 13% year-on-year, up from March's 12.5%. Consumer prices have risen 8.9% in the first four months of the year compared to the same period last year. Producer prices rose 17.5% in April, the same figure as in March.

Prices*	97Q1	97Q2	97Q3	97Q4	98.1	98.2	98.3	98.4	98(E)
Producer Prices(%)	3.8	3.9	2.6	10.9	15.2	17.7	17.5	17.5	16.2
Consumer Prices(%)	4.5	4.0	4.2	6.6	8.2	9.5	9.0	8.8	9.2
Export Prices(%)	5.7	9.5	6.6	21.9	73.8	64.0	55.5	34.1	-
Import Prices(%)	6.6	8.5	4.9	17.1	57.7	53.9	49.1	34.3	-

\* Percentage change over a year ago

### Interest Rates



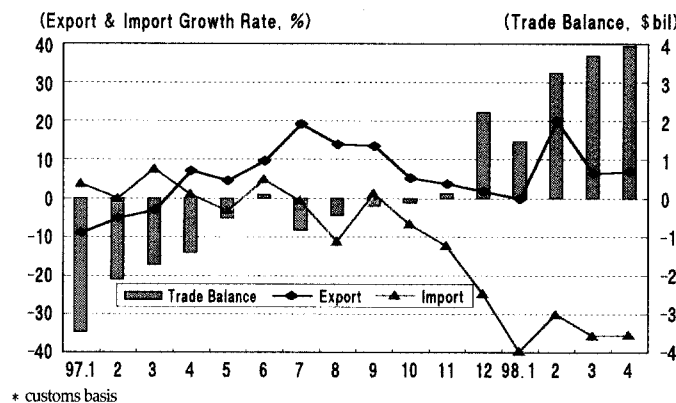
The consecutive current account surpluses and increased foreign capital inflow has led to greater market liquidity and a slight easing of interest rates. Furthermore, the apparent stabilization of the exchange rate has prompted the IMF to give Korea more leeway in easing interest rates. Call interest rates will be gradually lowered while ensuring stability in the foreign exchange market.

## HRI Economic Statistics

Domestic Interest Rates	96 Q4	97 Q1	97 Q2	97 Q3	97 Q4	98.1	98.2	98.3	98.4	98(E)
Call Rate(% p.a.)	12.3	13.0	11.5	14.50	35.00	26.27	23.51	22.10	18.32	-
Yield on CD(“)	13.4	13.5	12.0	13.75	25.00	21.75	23.50	21.00	19.30	-
Yield on Corporate Bonds(“)	12.6	12.5	11.8	12.60	29.49	18.50	20.50	18.28	17.70	17~18

International Interest Rates	96 Q4	97Q1	97Q2	97Q3	97 Q4	98.1	98.2	98.3	98.4
EURO \$ (LIBOR, 3 months)	5.562	5.773	5.781	5.769	5.812	5.625	5.680	5.711	5.719
EURO ¥ (3 months)	0.492	0.578	0.656	0.562	0.785	0.789	0.812	0.707	0.617
EURO DM (3 months)	3.125	3.250	3.125	3.406	3.668	3.535	3.516	3.594	3.656

### Trade



According to preliminary figure from MOFE, Korea posted another monthly trade surplus of \$3.9 billion in April. Exports increased 7.0% year-on-year to reach \$12.2 billion, while imports fell -35.3% over the same period to amount to 8.3 billion. Korea recorded a trade surplus of \$8.4 billion for the first quarter of 1998 and a current account surplus of \$10.69 billion. Total external liabilities

inched up to \$151.3 billion according to IMF standards as of the end of March.

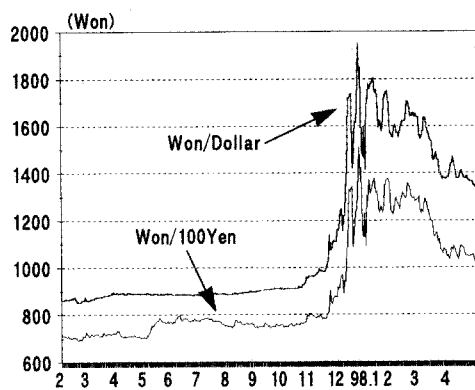
International Trade (US \$ bil)	96	97Q1	97Q2	97Q3	97Q4	97	98Q1	98.4	98(E)
Current Account	-23.0	-7.3	-2.6	-2.0	3.6	-8.6	10.7	-	28.0
Goods & Service Balance	-21.1	-6.8	-1.8	-1.3	3.2	-6.8	9.7	-	29.5
Income Balance	-1.8	-0.5	-0.9	-0.6	-0.7	-2.7	-0.7	-	-4.8
Export(FOB)	129.7	29.7	35.5	34.1	36.7	136.2	32.3	12.2	146.5
Import(CIF)	150.3	37.1	37.4	35.7	34.5	144.6	23.9	8.3	120.9

External Liability(US\$ bil)	96	97.11	97.12	98.1	98.2	98.3
Long Term	57.5	72.9	86.0	87.2	88.9	90.4
Short Term	100.0	88.9	68.4	64.0	61.4	60.9
Total External Liability*	157.5	161.8	154.4	151.2	150.3	151.3
External Debt**	104.7	116.1	120.8	120.6	120.2	121.2

\* Estimated by IMF standards

\*\* Estimated by World Bank standards

### Exchange Rates

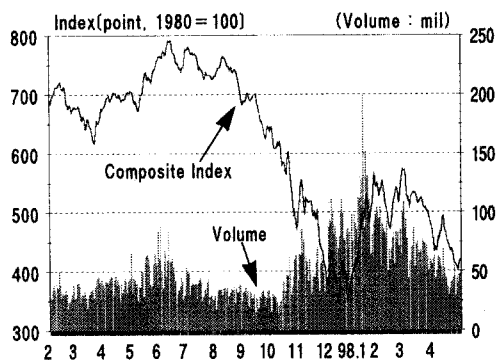


The won/dollar exchange rate continues to remain stable under the 1400 level. The monthly current account surpluses and the increasing foreign capital inflow thanks to Korea's gradually improving international creditworthiness have improved Korea's foreign exchange situation such that useable reserves have now reached \$30.15 billion as of the end of April. The won's recent stability has allowed the IMF and Korea to agree on gradually lowering interest rates, although the exchange rate movements will be closely monitored.

Exchange Rates	96 Q4	97 Q4	98.1	98.2	98.3	98.4	98(E)*
₩ / \$	844.20	1,415.20	1,572.90	1,640.10	1,378.80	1,338.20	1,400
¥ / \$	116.00	130.15	126.93	126.13	129.31	129.45	134

\* Average for the year.

### Stock Markets



The Korean stock market had a rough time in April, virtually all the gains made earlier in the year were virtually wiped out. Rising labor-management tensions have made investors nervous. Foreigners are also waiting to see how corporate restructuring and financial reform proceed. The Kim Dae-Jung Administration recently announced in early May that even more sectors would be fully liberalized to foreigners in an effort to further boost foreign investment inflows.

Stock Market.	97.3	97.6	97.9	97.12	98.1	98.2	98.3	98.4
Composite Stock Price Index	677.3	745.4	647.1	376.31	567.38	558.98	481.04	421.22
Traded Volume (Avg, ten thousands)	3,325.5	5,108.0	2,834.5	8,257.3	10,161.5	7,978.8	7,042.9	4,849.5

Corporate Sector

Corporate growth potential had been sound by 1995, but it has declined from 1996 when the Korean economic downturn started. Financial soundness has also aggravated from 1996, it seems likely to be continued in 1997. Especially, debt ratio would be more increased than realized in formal statistics if we consider the lack of transparency of the Korean companies' accounting standards (In 1996, debt ratio reached 335.6% in total industry). The growth rate of productivity of labor and capital also has declined rapidly as if it symbolized the end of 'efficiency era'.

	Total Industry				Manufacturing Industry			
	93	94	95	96	93	94	95	96
Growth rate of total assets	11.86	18.19	19.65	15.82	11.19	16.85	19.32	15.01
Growth rate of stockholders' equity	15.91	16.20	18.23	9.75	17.61	14.12	21.36	5.76
Growth rate of sales	10.33	17.25	21.20	13.91	9.94	18.23	20.44	10.26
Ordinary income to total assets	2.16	2.83	3.08	1.08	1.59	2.64	3.59	0.93
Ordinary income to stockholders' equity	9.05	11.45	12.43	4.59	6.44	10.53	14.00	3.74
Ordinary income to sales	1.97	2.61	2.73	0.98	1.70	2.74	3.60	0.99
Stockholders' equity to total assets	24.2	24.5	24.6	22.9	25.32	24.84	25.86	23.97
Debt ratio	312.9	308.1	305.6	335.6	294.88	302.52	286.75	317.11
Stockholders' equity turnover(Times)	4.61	4.39	4.55	4.66	3.79	3.85	3.89	3.97
Inventories turnover(Times)	8.86	8.54	9.31	8.97	7.23	7.44	7.66	7.39
Growth rate of gross value added per capita or productivity of labor	9.9	16.7	16.7	4.8	13.99	18.05	19.18	1.05
Property, plant and equipment per capita (Million won)	31.1	33.1	44.5	51.3	43.17	49.12	55.26	63.02
Gross value added to total assets or productivity of capital	27.0	26.4	27.3	24.4	24.40	25.45	26.41	23.02

\* The Bank of Korea does not emanate 97's corporate statistics formally yet.

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## About HRI

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### *Aiming For The 21st Century*

In the 21st century, the world will witness the emergence of a high-tech information society where the private sector and individuals will assume even greater roles in the advancement of society and the economy, and where information and creativity will be valued even more highly as the keys to success. As Korea's economy grows increasingly complex, more diverse economic research and analysis is definitely needed and the importance of a private-sector economic research institute for general economic development cannot be overstated. With this in mind, we at the Hyundai Research Institute (HRI) aim to be "Better Than the Best" in all fields of research and will strive to lead the Korean economy into the dawning era of a globalized economy, characterized by borderless competition.

In trying to be "Better than the Best," we will focus on several major business missions. One is to help our economy complete its restructuring process in the most effective and expedient manner to overcome the present hardships and help Korea enter the ranks of advanced industrial nations. We aim to accomplish this by presenting timely analysis of and useful policy suggestions on pertinent economic issues. The other is to help guide the Hyundai Business Group's efforts to become a top-flight global business group. To fulfill these missions, the Institute has ambitious goals: to establish itself firmly as the foremost private research institute in Korea and to become an internationally recognized research institute.

HRI pursues two major functions. One is economic research, covering not only the macro

economy and the major industries, but also government policy, pertinent domestic socio-economic developments, Korean reunification studies, and related international issues. The other is business consulting for clients within and outside the Hyundai Business Group. This entails a wide variety of consulting projects in the fields of corporate finance, general management strategies, marketing research, and organizational behaviour.

We offer various publications including: *Business Economics* (monthly), *The Reunified Korean Economy* (monthly), and *IMF Economics* (weekly) in Korean, along with the *VIP Economic Report* (monthly) and *The Economics of Korean Reunification* (bi-annual) in English. We also publish periodic *VIP Reports* and *Prime Business Reports* to analyze current issues in greater detail.

Through these publications and our other endeavors, including sponsorship and participation in seminars and also cooperation with the media, we hope to contribute to the intellectual, social and, of course, economic development of Korea.

HRI is making a continuous effort to recruit and cultivate top-notch research staff, trained in a wide range of disciplines at the finest academic institutions both in Korea and abroad. Furthermore, to broaden our base of knowledge and resources, we are actively pursuing joint research projects and partnerships with both domestic and international economic associations and institutions.

Our ultimate goal is to utilize our continuously expanding base of knowledge and cooperation to help realize a shared, common prosperity in the 21st century. 