

## HRI Economic Statistics

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

### The Economy

Korea's economic growth rate fell to -3.8% in the first quarter of 1998 and is expected to remain around -4% in the second quarter as well. This is the worst economic performance since Korea began compiling statistics in 1960. The Government has announced that the budget deficit will be increased to 17.5 trillion won or 4% of the GDP in effort to stimulate the sagging domestic economy.

	1992	1993	1994	1995	1996	1997	1998(E)
GDP Growth Rate(%)	5.1	5.8	8.6	8.9	7.1	5.5	-3.5
Nominal GDP(US \$ bil)	307.9	332.8	380.7	456.5	484.4	442.6	325.2
GNP per capita(US \$)	7,007	7,484	8,467	10,037	10,548	9,511	6,869
Gross saving rate	34.9	35.2	35.4	36.2	34.8	34.6	-

### Industry

Korea's industrial output continues to fall, dropping 10.8 percent y-o-y in May. Compared with the same month last year, production of automobiles fell 43.8%, that of machinery fell 36.4%, and that of electronics shipment fell 34.7% Domestic demand declined 28.7% y-o-y, and whole and retail sales fell 16.3%. The factory operation rate has now dropped to 66.7% as of May.

	1996	1997	1998.1	1998.2	1998.3	1998.4	1998.5
Industrial Production Indexes	7.3	6.9	-10.8	-1.8	-10.1	-10.9	-10.8
Wholesale and retail trade indexes	7.0	3.2	-8.7	-11.4	-11.2	-15.0	-16.3
Domestic machinery orders received	16.5	3.3	-31.1	-28.0	-50.6	-47.0	-41.7
Domestic construction orders received	21.4	4.7	-19.3	-19.9	-29.6	-58.6	-62.3

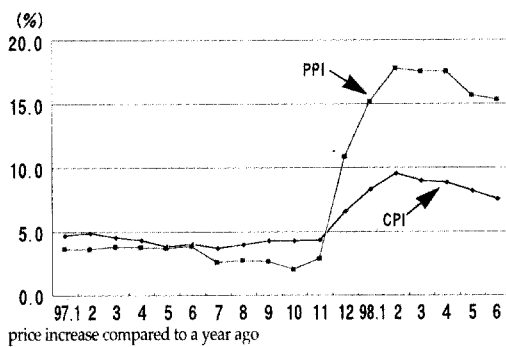
### Employment

Unemployment continues to be a major concern for the Government. The total number of unemployed has reached 1.5 million or nearly 7% of the workforce, with more layoffs expected in the course of restructuring. Tensions have been rising, particularly with the recent closure of five banks, but the government has taken a strong stance against illegal labor actions to help stabilize the economy.

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	1996	1997	1998.1	1998.2	1998.3	1998.4	1998.5
Total employed(thousand)	20,764	21,048	19,711	19,526	19,892	20,127	20,226
Manufacturing Employed(thousand)	4,677	4,475	4,196	4,050	3,998	3,906	3,839
Unemployment rate(%)	2.0	2.6	4.5	5.9	6.5	6.7	6.9
Total Number of Unemployed (thousand)	425	556	934	1,235	1,378	1,434	1,492

### Prices

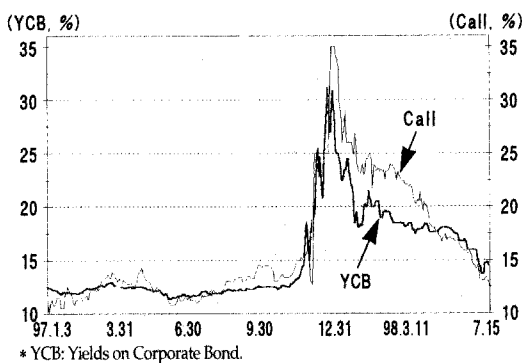


Consumer prices rose 7.5% in June, a continued improvement over March's 9.0% and February's 9.5%. At the same time, the consumer price index fell -0.4%, after May's -0.5%. Prices of factory-produced items went up 12.0% year-on-year, up from 11.9%. Consumer prices have risen 8.6% in the first half of the year compared to the same period last year. Producer prices rose 15.3% in June.

Prices*	97Q1	97Q2	97Q3	97Q4	98.1	98.2	98.3	98.4	98.5	98.6
Producer Prices(%)	3.8	3.9	2.6	10.9	15.2	17.7	17.5	17.5	15.7	15.3
Consumer Prices(%)	4.5	4.0	4.2	6.6	8.2	9.5	9.0	8.8	8.2	7.5

\* Percentage change over a year ago

### Interest Rates



\* YCB: Yields on Corporate Bond.

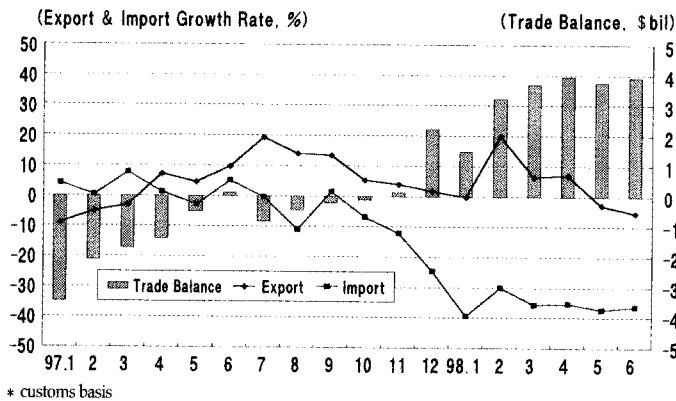
The consecutive current account surpluses and increased foreign capital inflow has given Korea more leeway in easing interest rates. However, this drop does not accurately reflect the true market conditions, as many firms are still having difficulties in obtaining credit. It is essential that the government figures out a way to eliminate the market distortions.

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Domestic Interest Rates	96 Q4	97 Q4	98.1	98.2	98.3	98.4	98.5	98.6	98(E)
Call Rate(% p.a.)	12.3	35.0	26.3	23.5	22.1	18.3	17.1	14.3	-
Yield on CD(“)	13.4	25.0	21.8	23.5	21.0	19.3	17.7	16.3	-
Yield on Corporate Bonds(“)	12.6	29.0	18.5	20.5	18.3	17.7	17.8	16.0	13~14

\* end of period.

### Trade



Korea posted another monthly trade surplus of \$3.9 billion in June. Exports decreased 5.6% year-on-year to reach \$11.7 billion, the second consecutive monthly decrease. Meanwhile, imports fell 36.6% over the same period to amount to 7.8 billion. The drops in both exports and imports are an ominous sign of the state of the Korean economy. Total external liabilities inched up to \$155.0

billion according to IMF standards as of the end of May.

International Trade (US \$ bil)	96	97	98.1	98.2	98.3	98.4	98.5	98.6
Current Account	-23.0	-8.2	3.1	3.9	3.7	3.9	4.3	-
Goods & Service Balance	-21.1	-6.4	2.5	3.9	3.8	3.9	4.5	-
Income Balance	-1.8	-2.5	0.0	-0.3	-0.4	-0.3	-0.5	-
Export(FOB)	129.7	136.2	9.1	11.2	12.1	12.2	11.4	11.7
Import(CIF)	150.3	144.6	7.5	8.0	8.4	8.2	7.7	7.8

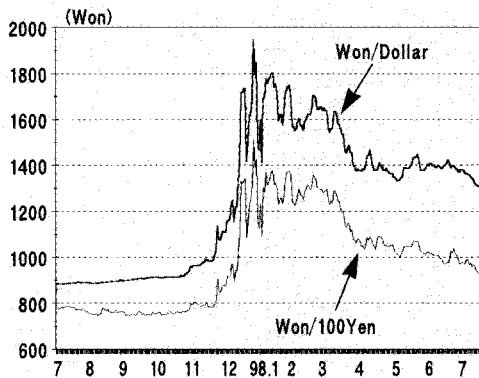
External Liability(US\$ bil)	96	97	98.1	98.2	98.3	98.4	98.5
Long Term	57.5	86.0	87.2	88.9	90.4	113.3	114.6
Short Term	100.0	68.4	64.0	61.4	60.9	41.9	40.4
Total External Liability*	157.5	154.4	151.2	150.3	151.3	155.2	155.0
External Debt**	104.7	120.8	120.6	120.2	121.2	125.2	126.0

\* Estimated by IMF standards

\*\* Estimated by World Bank standards

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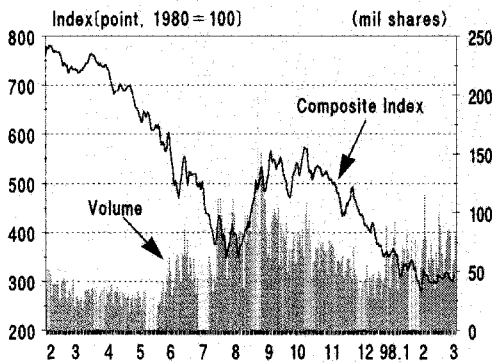
### Exchange Rates



The won/dollar exchange rate continues to remain stable in the 1300's as of early July. The monthly current account surpluses and the increasing foreign capital inflow have improved Korea's foreign exchange situation. The usable reserves have now reached \$37.04 billion as of the end of June. Some feel that the won has appreciated too much, which could undermine Korea's export competitiveness.

Exchange Rates	96	97	98.1	98.2	98.3	98.4	98.5	98.6
₩ / \$	844.20	1,415.20	1,572.90	1,640.10	1,378.80	1,338.20	1,410.80	1,385.20
¥ / \$	116.00	130.15	126.93	126.13	132.99	132.39	138.90	138.86

### Stock Markets



The Korean stock market continues to remain lifeless, with the KOSPI index hovering around 300-pt. level. Investors are apparently still waiting to see tangible proof that substantive restructuring is indeed taking place.

Stock Market.	96	97	98.1	98.2	98.3	98.4	98.5	98.6
Composite Stock Price Index	651.22	376.31	567.38	558.98	481.04	421.22	332.03	297.88
Traded Volume (Avg, ten thousands)	2,657.1	4,152.5	10,161.5	7,978.8	7,042.9	4,849.5	5,438.2	6,824.8