

HRI Economic Statistics

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

The Economy

Korea's gross domestic product dropped by -6.6% in the second quarter, the worst drop in 18 years. The -6.6% contraction is in sharp contrast to the 6.6% growth recorded during the same period last year and the -3.9% in the first quarter. All in all, the economy shrank by 5.3% in the first half, the worst half since statistics were first kept in 1953. HRI predicts the GDP growth rate will fall to -6.0% for the year.

	1992	1993	1994	1995	1996	1997	1998(E)
GDP Growth Rate(%)	5.1	5.8	8.6	8.9	7.1	5.5	-6.0
Nominal GDP(US \$ bil)	307.9	332.8	380.7	456.5	484.4	442.6	306.7
GNP per capita(US \$)	7,007	7,484	8,467	10,037	10,548	9,511	6,514
Gross Saving Rate	34.9	35.2	35.4	36.2	34.8	34.6	-

Industry

Industrial output continues to drop in Korea, falling -12.9% in July after the -13.2% decline in June. Production of automobiles fell a y-o-y -45.4%, while that of machinery(domestic plus exports) was down -39.5%. However, production of semiconductors and ships rose a healthy 39.2% and 47.7% respectively in July year on year. The capacity utilization rate fell further to 63.7%.

	1996	1997	1998.1	1998.2	1998.3	1998.4	1998.5	1998.6	1998.7
Industrial Production Indexes	7.3	6.9	-10.8	-1.8	-10.1	-10.9	-10.9	-13.2	-12.9
Wholesale and Retail Trade Indexes	7.0	3.2	-8.7	-11.4	-11.2	-15.0	-16.3	-16.0	-17.4
Domestic Machinery Orders Received	16.5	3.3	-31.1	-28.0	-50.6	-47.0	-41.7	-43.6	-26.8
Domestic Construction Orders Received	21.4	4.7	-19.3	-19.9	-29.6	-58.6	-62.3	-45.6	-41.0

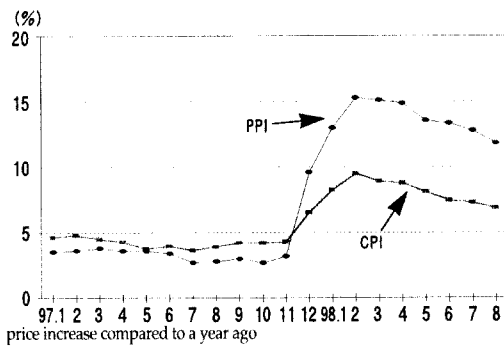
Employment

The unemployment rate rose even higher to 7.6% (8.6% seasonally adjusted) in July, the highest level since July 1982. As of now, some 1.65 million people are out of work. The Labor Ministry predicts that this figure will rise to 1.75 million by the end of the year in the course of continued corporate restructuring.

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	1996	1997	1998.1	1998.2	1998.3	1998.4	1998.5	1998.6	1998.7
Total Employed(thousand)	20,764	21,048	19,711	19,526	19,892	20,127	20,226	20,183	19,999
Manufacturing Employed(thousand)	4,677	4,475	4,196	4,050	3,998	3,906	3,839	3,788	3,760
Unemployment Rate(%)	2.0	2.6	4.5	5.9	6.5	6.7	6.9	7.0	7.6
Total Number of Unemployed (thousand)	425	556	934	1,235	1,378	1,434	1,492	1,529	1,651

Prices

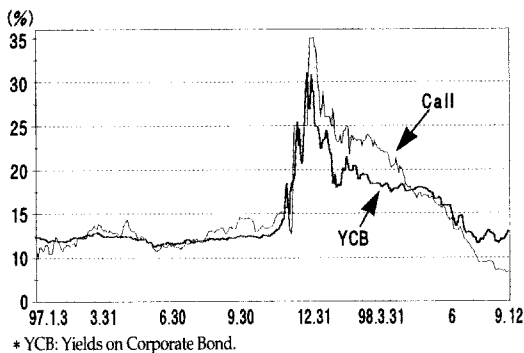


The consumer price index rose 6.9% in August on a year-on-year basis, down from July's 7.3%. Many are beginning to worry about the possibility of deflation. Since May, consumer prices on a month-to-month basis have been on a falling trend, although prices did rise slightly (0.3%) in August mainly because of the higher prices for agricultural products because of the flood damage.

Prices*	97Q1	97Q2	97Q3	97Q4	98Q1	98Q2	98.7	98.8
Producer prices(%)	3.8	3.9	2.6	10.9	14.5	13.9	12.8	11.8
Consumer prices(%)	4.5	4.0	4.2	6.6	9.0	8.2	7.3	6.9

* Percentage change over a year ago

Interest Rates



* YCB: Yields on Corporate Bond.

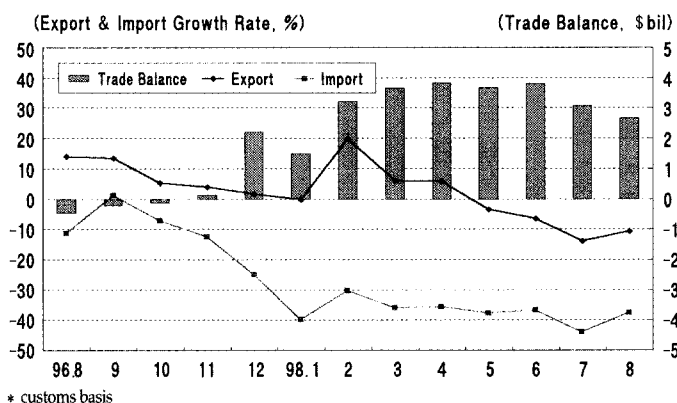
Interest rates have been on a slight rising trend as of late, spurred by the instability in the international financial markets and the fact that interest rates on Korea's foreign-currency bonds are higher than domestic rates. In addition, the government is planning to issue a large number of bonds this year, which will also push up rates. On the other hand, the government has expressed its firm intention to keep rates down and will pursue an expansionary monetary policy.

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Domestic Interest Rates	96 Q4	97 Q4	98.1	98.2	98.3	98.4	98.5	98.6	98.7	98.8	98(E)
Call Rate(% p.a.)	12.3	35.0	26.3	23.5	22.1	18.3	17.1	14.3	10.24	8.52	-
Yield on CD(“)	13.4	25.0	21.8	23.5	21.0	19.3	17.7	16.3	12.00	10.20	-
Yield on Corporate Bonds(“)	12.6	29.0	18.5	20.5	18.3	17.7	17.8	16.0	12.30	11.70	12~13

* end of period.

Trade



124.1%. Imports of raw materials were down 36.6%, capital goods by 31.9%, and consumer goods by 45.9%. July's current account surplus was \$3.67 billion, bringing the year's total to \$25.47 billion.

Korea's monthly trade surplus in August dropped to \$2.67 billion, bringing the trade surplus for the first eight months to \$25.4 billion. Exports fell -10.8 year-on-year to \$9.85 billion, the fourth straight monthly decline, while imports tumbled -37.5% to \$7.19 billion. Exports of autos and semiconductors fell -66.2% and -9.6%, respectively, while steel and ship exports rose by 10.2% and

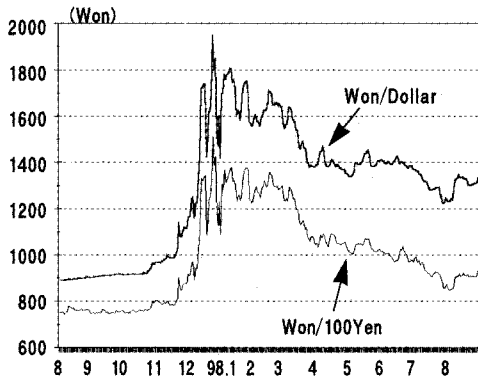
International Trade (US \$ bil)	96	97	98.1Q	98.2Q	98.7	98.8
Current Account	-23.0	-8.2	10.8	11.0	3.7	-
Goods & Service Balance	-21.1	-6.4	10.2	11.5	3.7	-
Income Balance	-1.8	-2.5	-0.7	-1.2	-0.2	-
Export(FOB)	129.7	136.2	32.2	35.0	10.2	9.9
Import(CIF)	150.3	144.6	23.9	23.7	7.1	7.2

External Liability(US\$ bil)	96	97	98.3	98.6	98.7
Long Term	57.5	86.0	90.4	115.5	113.9
Short Term	100.0	68.4	60.9	38.3	38.4
Total External Liability*	157.5	154.4	151.3	153.8	152.3
External Debt**	104.7	120.8	121.2	125.8	125.3

* Estimated by IMF standards

** Estimated by World Bank standards

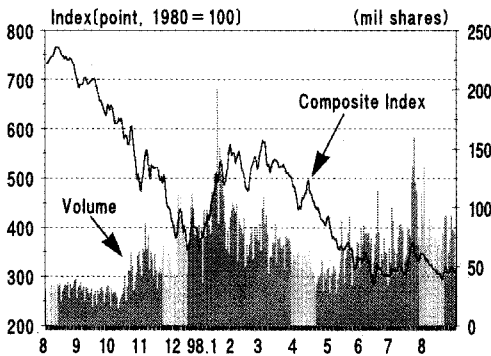
Exchange Rates



The current instability in the international financial markets, particularly in the emerging markets, is causing the won/dollar exchange rate to rise. The rise in the spreads on foreign currency bonds has made it virtually impossible to raise foreign capital. However, this has been offset somewhat by expectations that U.S. interest rates will be lowered and also yen's gradually recovering strength. Korea's usable forex reserves have increased to \$41.36 billion, which may still be insufficient to fully forestall another currency crisis.

Exchange Rates	96	97	98.1	98.2	98.3	98.4	98.5	98.6	98.7	98.8
W / \$	844.20	1,415.20	1,572.90	1,640.10	1,378.80	1,338.20	1,410.80	1,385.20	1,236.00	1,331.80
¥ / \$	116.00	130.15	126.93	126.13	132.99	132.39	138.90	138.86	144.63	140.13

Stock Market



The Korean stock market continued to fare poorly in August, dipping below the 300-pt. level at one point. The market was hurt by outside factors such as the Russian crisis and the growing uncertainties surrounding Japan and China. Domestic factors such as the recently pessimistic economic data and the poor first-half performance of listed firms. However, foreign investors may be more active in the Korean market given Korea's increased weight in the Morgan Stanley Capital International index starting September.

Stock Market.	96	97	98.1	98.2	98.3	98.4	98.5	98.6	98.7	98.8
Composite Stock Price Index	651.22	376.31	567.38	558.98	481.04	421.22	332.03	297.88	343.33	310.16
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	8,821.9	7,402.1