

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

## The Economy

The real GDP growth rate for 1998 was an estimated -5.8%, while per capita Gross National Income (GNI), a new indicator measuring consumers' real purchasing power, fell to \$6,823 from \$10,307 in 1997. Based on the clear signs of an ongoing economic recovery, HRI again revised its 1999 growth rate forecast to 5.4%, in tandem with the upward revisions of the government and analysts both inside and outside Korea.

	1993	1994	1995	1996	1997	1998(E)	1999(E)
GDP Growth Rate (%)	5.5	8.3	8.9	6.8	5.0	-5.8	5.4
Nominal GDP (US\$ bil)	345.7	402.4	489.4	520.0	476.6	321.3	366.0
GNI per capita (US\$)	7,811	8,998	10,823	11,380	10,307	6,823	7,663
Gross Saving Rate	35.2	35.4	35.5	33.8	33.4	33.2	-

## Industry

Industrial indexes on the whole fared well in April, reaffirming that the economy is recovering. Production continued to improve, thanks to surging overseas orders and rising domestic demand owing to robust domestic consumption and reviving investment. Construction orders showed a dramatic recovery, soaring 39.3% y-o-y in April from the -51.1% in March.

Industrial Indexes (y-o-y, %)	97	98					99			
		Q1	Q2	Q3	Q4	Avg.	2	3	4	Q1
Industrial Production Indexes	5.3	-6.2	-12.2	-9.5	-1.6	-7.3	3.9	18.8	12.5	17.1
Wholesale and Retail Trade Indexes	3.2	-11.2	-16.0	-15.1	-8.3	-12.7	7.4	8.3	6.0	8.2
Domestic Machinery Orders Received	3.3	-38.9	-43.8	-22.2	-10.9	-30.5	-1.0	15.8	16.9	23.6
Domestic Construction Orders Received	5.4	-23.4	-53.4	-44.8	-44.9	-42.5	-52.0	-51.1	-45.3	39.3

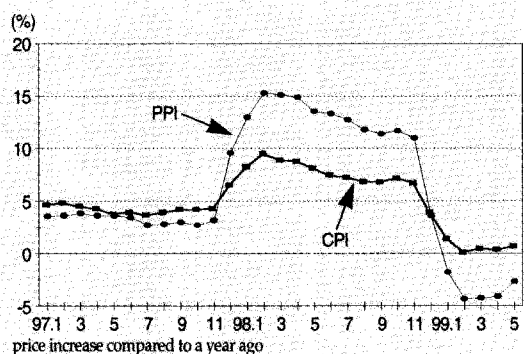
## Employment

The unemployment rate continued its downward trend, recording at 7.2% in April. The number of workers in the agricultural and construction sectors increased, owing to seasonal factors and the accelerating economic recovery. The resumption of public projects and ongoing recruitment by businesses also helped to lower the jobless rate. The government aims to level the rate down to 6% before the year end.

# HRI ECONOMIC STATISTICS

	97	98					99			
		Q1	Q2	Q3	Q4	Avg.	1	2	3	4
Total Employed (thousand)	21,048	19,710	20,178	19,971	19,846	19,926	18,909	18,777	19,438	20,004
Manufacturing Employed (thousand)	4,475	4,081	3,844	3,758	3,852	3,884	3,823	3,773	3,862	3,889
Unemployment Rate (%)	2.6	5.7	6.9	7.4	7.4	6.8	8.5	8.7	8.1	7.2
Total Number of Unemployed (thousand)	556	1,182	1,485	1,600	1,586	1,463	1,762	1,785	1,704	1,550

## Prices

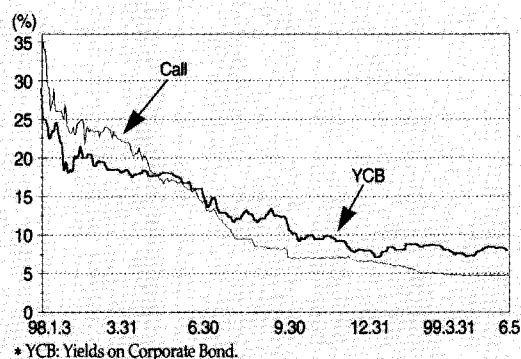


Consumer prices rose 0.8% year-on-year in May but fell 0.2% compared to April. Due to seasonal factors, the prices of agricultural goods fell, but those of industrial goods climbed upward on account of high international oil prices. Producer prices fell 2.6% year-on-year but rose by 0.4% compared to last month.

Prices*(%)	96	97	98					99					
			Q1	Q2	Q3	10	11	12	1	2	3	4	5
Consumer Prices (%)	4.9	4.5	9.0	8.2	7.0	7.2	6.8	4.0	1.5	0.2	0.5	0.4	0.8
Producer Prices (%)	3.2	3.9	14.5	13.9	12.0	11.7	11.0	3.6	-1.8	-4.3	-4.3	-4.1	-2.6

\* Percentage change over a year ago

## Interest Rates



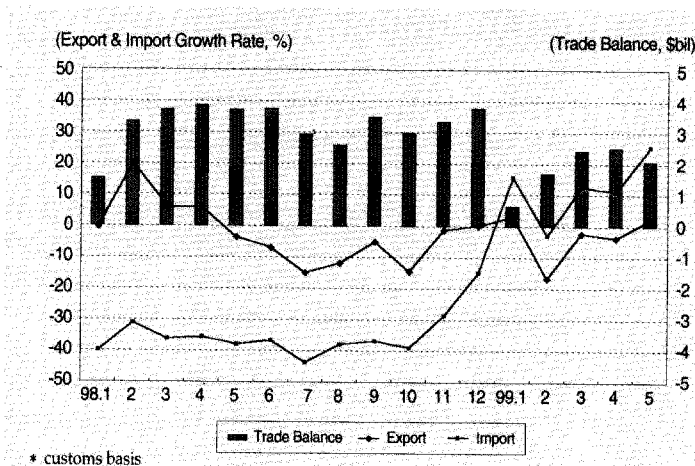
In May, short-term interest rates remained steady, staying within the same range throughout the month. The government's decision to delay the issuance of 2.4 trillion won worth of bonds has helped rein in the interest rates' upward trend. The new cabinet's avowed determination to maintain the current level of interest rates is expected to help stabilize the jittery long-term interest rates and push forward the economic recovery in progress.

# H R I E C O N O M I C S T A T I S T I C S

Domestic Interest Rates* (%)	96	97	98				99				
			Q1	Q2	Q3	Q4	1	2	3	4	5
Call Rate (overnight)	12.3	35.0	22.1	14.3	7.09	6.53	6.15	4.86	4.88	4.72	4.73
Yield on CP (91 days)	13.9	35.0	22.2	16.3	10.50	7.90	6.77	6.55	6.90	6.66	6.35
Yield on Corporate Bonds (3 years)	12.6	29.0	18.3	16.0	11.90	8.00	8.13	7.98	8.10	7.74	8.37

\* Percentage change over a year ago

## Trade



Exports in May recorded a 2.2% increase, a marked improvement after four months of slumping. Shipments to advanced markets rose in the key automobile, shipbuilding and semiconductor industries. As consumption and investment showed increased vigor, imports went up 25%, showing the highest monthly growth in 1999. The trade balance was a surplus for the third consecutive month.

International Trade (US\$ bil)	94	95	96	97	98	99.5*	99(p)
Current Account	-3.9	-8.5	-23.0	-8.2	40.0	4.3***	22.8
Goods Balance	-2.9	-4.4	-15.0	-3.2	41.2	4.3***	26.3
Services Balance	-1.8	-3.0	-6.2	-3.2	0.4	-0.1***	-0.6
Income Balance	-0.5	-1.3	-1.8	-2.5	-4.8	-0.5***	-3.8
Export (FOB)	96.0	125.1	129.7	136.2	133.2	53.5	133.3
Import (CIF)	102.4	135.0	150.3	144.6	93.3	44.1	111.1
Usable FX Reserves	25.7**	32.7**	29.4	8.9	48.5	58.7	-

\* Data from Jan.-May, 1999

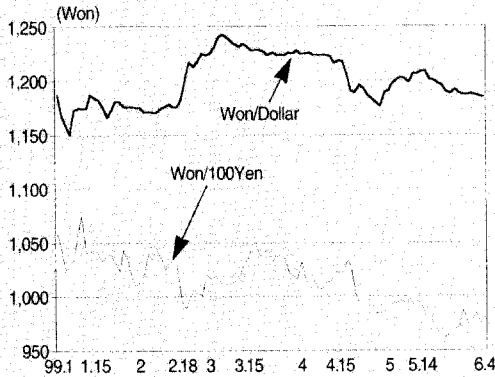
\*\* FX reserves

\*\*\* Data from Jan.-Apr, 1999

External Liabilities (US\$ bil)	96	97	98				99			
			Q1	Q2	Q3	Q4	1(p)	2(p)	3(p)	4(p)
Long Term	71.3	94.9	90.4	115.5	121.5	118.5	116.3	114.9	113.7	112.4
Short Term	93.0	63.2	60.9	38.3	32.1	30.8	30.7	30.5	31.9	30.3
Total External Liabilities*	164.3	158.1	151.3	153.8	153.6	149.3	147.0	145.4	145.5	142.7

\* Percentage change over a year ago

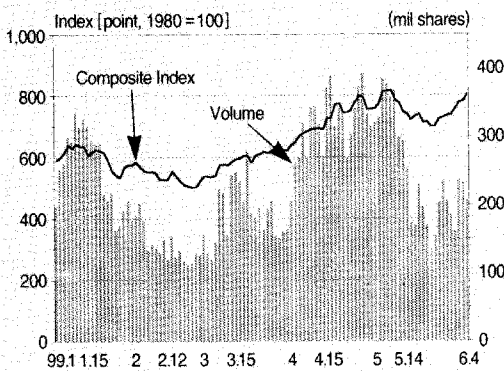
**Exchange Rates**



Despite government's strategic purchase of dollars and foreigners' withdrawal of some of their funds, there is still an excess supply of foreign currency in the market, thanks to the continued current account surplus and inflow of foreign funds. The won continued to gain against the US dollar, dropping under 1,200 won/dollar level in mid-May and edging up and down mostly in the 1,180 range afterward.

Exchange Rates	96	97	98				99				
			Q1	Q2	Q3	Q4	1	2	3	4	5
W / \$	844.20	1,415.20	1,378.80	1,385.20	1,373.60	1,204.00	1,175.00	1,223.00	1,227.00	1,176.40	1,186.20
¥ / \$	116.00	130.57	133.22	138.93	136.66	115.02	116.30	120.70	120.10	985.67	987.65

**Stock Market**



The bull market slowed down and the bourse turned bearish in the latter half of May, dropping back into the 600s. However, the second cabinet's decision to maintain the current interest rate policy and its firm determination to accelerate the ongoing economic recovery helped restore investor sentiment, moving the KOSPI back into the 700 point range. Institutions and foreigners proved to be strong buyers in May.

Stock Market	96	97	98				99				
			Q1	Q2	Q3	Q4	1	2	3	4	5
Composite Stock Price Index (end)	651.22	376.31	481.04	297.88	310.32	562.46	571.43	520.06	618.98	752.59	736.02
Traded Volume (Avg, ten thousands)	2,657.1	4,152.5	8,394.4	5,704.2	7,728.4	24,846.4	17,793.2	12,701.2	16,561.8	31,475.5	18,590.7