

SUMMARY OF KOREA'S ECONOMIC OUTLOOK FOR 1999

The following is the Korean Government's summary of Korea's economic outlook for 1999, as announced in a press release by the Office of the Foreign Spokesperson (T:504-1335) of the Ministry of Finance and Economy (MOFE) on July 5, 1999.

ECONOMIC GROWTH

The Korean economy is seen stepping up recovery pace into the second half, continuing its pick-up in the first half. Gross domestic product is expected to rise 5-6% in 1999, in a turnaround from 5.8% contraction in 1998. In the second half, GDP is likely to mark 7% rise, outpacing 4.6% growth in the first quarter. Into the second half, growth is likely to ease to 5-6% level.

INFLATION & CURRENT ACCOUNT SURPLUS

Inflation is likely to stabilize at 2% level and current-account surplus is expected to total US\$20 billion in the current year, narrowing from last year's US\$40 billion surplus. The first-half current account surplus is projected at US\$12 billion.

TRADE

Exports are expected to rise about 3% in price terms to US\$136 billion on year-on-year basis. Imports are projected to mark 22% increase to approximately US\$114 billion. Korea's exports are likely to improve in the second half due to expected economic recoveries in crisis-hit Asian countries as well as some Central and South American countries.

UNEMPLOYMENT

Given the economy is recovering faster than expected, Korea's annual unemployment rate is forecasted to drop to 5% level by September or October, compared with 6.5% level in the first half. In the second half of the year, the actual number of jobless people is anticipated to go down to 1.2 million, down from about 1.5 million expected in the first half. For 1998, Korea's unemployed was at 6.8%, leaving 1.46 million people out of job.

CONTINUING REFORM

Low prices and interest rates will alleviate corporations' interest burdens and booming stock market are expected to be conducive factors for corporations to improve their financial structure and speed up restructuring.

Korea fully understands that there's no room for complacency although the economy is showing signs of recovery. Thus, in the second half, Korea will place utmost priority in completing its economic reform and resolving possible social unrest which could possibly result from the severe economic turmoil during the past one and a half year. **VIP**