

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

## The Economy

1999's GDP growth rate reached 10.7% while per capita GNI (a measure of consumers' real purchasing power) is expected to reach \$8,581. HRI forecasts continued economic recovery in 2000, and predicts that per capita GNI will climb back to \$10,000.

	1993	1994	1995	1996	1997	1998	1999(E)	2000(E)
GDP Growth Rate (%)	5.5	8.3	8.9	6.8	5.0	-6.7	10.7	8.2
Nominal GDP (US\$ bil)	345.7	402.4	489.4	520.0	476.6	317.7	406.7	471.2
GNI per capita (US\$)	7,811	8,998	10,823	11,380	10,307	6,742	8,581	10,082
Gross Saving Rate	35.2	35.4	35.5	33.8	33.4	34.0	33.7	-

## Industry

While the real economy maintained its recovery in April, growth slowed from the previous months. Production expansion slowed to 16.9% due to an auto industry strike, and construction investment, which showed explosive growth in the early months of 2000, contracted by 4.4%.

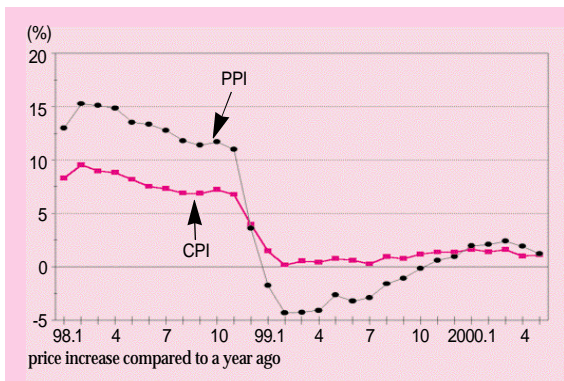
Industrial Indexes (y-o-y, %)	97	98					99					2000				
		Q1	Q2	Q3	Q4	Avg.	Q1	Q2	Q3	Q4	Avg.	12	Q1	2	3	4
Industrial Production Indexes	4.7	-4.9	-11.4	-9.1	-0.6	-6.5	14.1	24.6	28.5	28.9	24.2	24.6	23.4	25.4	17.6	16.9
Wholesale and Retail Trade Indexes	3.2	-11.2	-16.0	-15.1	-8.3	-12.7	6.9	11.6	17.6	15.7	13.0	14.9	14.4	13.9	12.8	11.4
Domestic Machinery Orders Received	3.3	-38.9	-43.8	-22.2	-10.9	-30.5	16.7	38.7	22.6	13.8	22.6	14.2	18.2	19.8	17.5	25.1
Domestic Construction Orders Received	5.4	-23.4	-53.4	-44.8	-44.9	-42.6	-45.3	27.1	13.4	18.0	0.8	8.9	75.9	74.5	55.7	-4.4

## Employment

With the start of the farming season, continued demand from the construction industry, and active hiring in the manufacturing industry, the unemployment rate fell back to 4%. The number of unemployed persons also dwindled to below 1 million.

	97	98					99					2000			
		Q1	Q2	Q3	Q4	Avg.	Q1	Q2	Q3	Q4	Avg.	Q1	2	3	4
Total Employed (thousand)	21,048	19,710	20,178	19,971	19,846	19,926	19,042	20,301	20,695	20,962	20,281	20,313	20,149	20,660	21,065
Manufacturing Employed (thousand)	4,475	4,081	3,844	3,758	3,852	3,884	3,819	3,922	4,039	4,233	4,006	4,206	4,182	4,221	4,229
Unemployment Rate(%)	2.6	5.7	6.9	7.4	7.4	6.8	8.4	6.6	5.6	4.6	6.3	5.1	5.3	4.7	4.1
Total Number of Unemployed (thousand)	556	1,182	1,485	1,600	1,586	1,463	1,751	1,435	1,220	1,011	1,353	1,092	1,121	1,028	900

## Prices

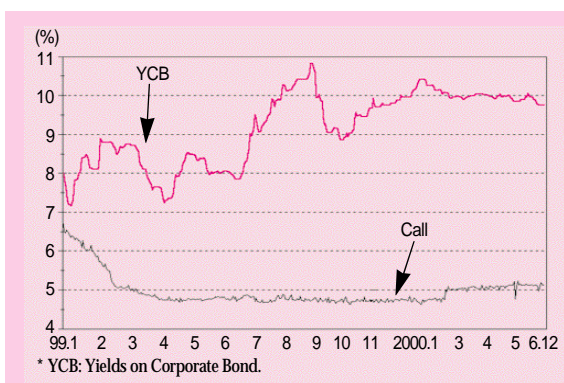


Consumer prices in May dropped 0.1% from April, a 1.1% increase year-on-year. Despite higher private and public service charges following an increase in bus fare, the trend of overall price stability is continuing thanks to a price drop in petroleum products and stabilized agricultural prices.

Prices*(%)	96	97	98				99				2000				
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	1	2	3	4	5
Consumer Prices (%)	4.9	4.5	9.0	8.2	7.0	6.0	0.7	0.6	0.7	1.3	1.6	1.4	1.6	1.0	1.1
Producer Prices (%)	3.2	3.9	14.5	13.9	12.0	8.6	-3.5	-3.3	-1.9	0.4	2.0	2.1	2.4	1.9	1.2

\* Percentage change over a year ago

## Interest Rates

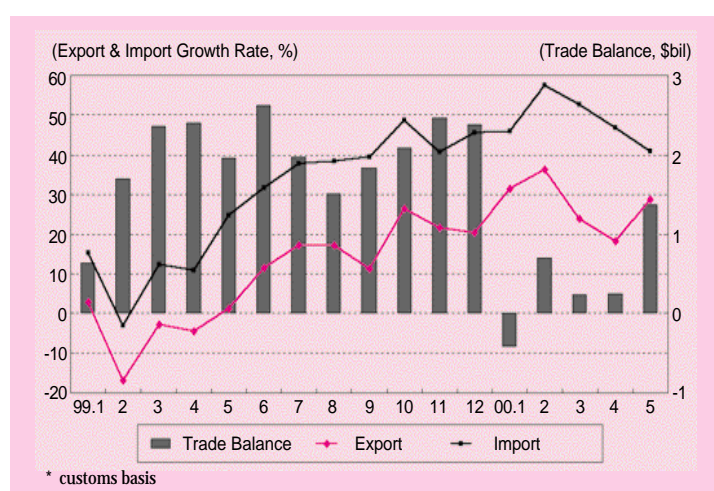


Corporate bond yields were steady until mid-May, and then increased to two-digit levels with financial market jitters and concerns of US interest rate hikes. However, with the authorities determined to keep interest rates stable, measures to expand the sales base of bonds started a downturn of bond yields in late May.

Domestic Interest Rates* (%)	97	98				99				2000				
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	1	2	3	4	5
Call Rate (overnight)	35.0	22.1	14.3	7.09	6.53	4.88	4.85	4.67	4.84	4.75	5.02	4.90	5.01	5.12
Yield on CP (91 days)	35.0	22.2	16.3	10.50	7.90	6.90	6.40	7.54	7.85	7.46	7.33	7.28	7.37	7.46
Yield on Corporate Bonds (3 years)	29.0	18.3	16.0	11.90	8.00	8.10	7.96	9.23	9.95	10.12	9.90	9.98	9.94	9.89

\*End of period

## Trade



Import growth in May slowed to 40.9% thanks to lower oil prices and the slowdown in economic growth. Meanwhile, the export growth rate recorded an 18.2% increase from the same month last year, which can be attributed to a recovery of key exports such as autos, semiconductors, and petrochemicals. The robust export performance helped Korea record a trade surplus of \$1.4 billion in May, the largest surplus so far in 2000.

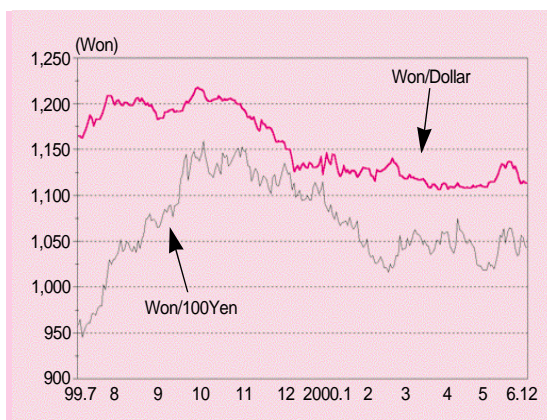
External Transaction (US\$ bil)	97	98	99	2000				
				Jan	Feb	Mar	Apr	May
Export	136.2	132.3	143.6	12.2	12.8	14.4	13.6	14.7
Imports (CIF)	144.6	93.3	119.8	12.6	12.0	14.2	13.3	13.3
Current Account	-8.2	40.6	25.0	0.3	0.8	0.2	-0.3	-
Goods	-3.2	41.6	28.7	0.6	0.7	1.0	5.7	-
Services	-3.2	6.3	-1.0	-0.3	-0.1	-0.4	-0.1	-
Income	-2.5	-5.0	-4.7	-0.1	0.0	-0.4	-0.8	-
Current Transfer	0.7	3.4	2.0	0.1	0.1	0.0	0.1	-
FX Reserves*	8.9	48.5	74.1	76.8	79.7	83.6	84.6	86.8

\*end of period

External Liabilities* (US\$ bil)	97	98	99	2000			
				Jan	Feb	Mar	Apr
Long Term	95.7	118.0	98.3	96.9	97.7	99.8	94.2
Short Term	63.6	30.7	38.4	40.0	41.3	43.4	46.2
Total	159.2	148.7	136.4	136.8	138.9	143.2	140.4

\*end of period

## Exchange Rates

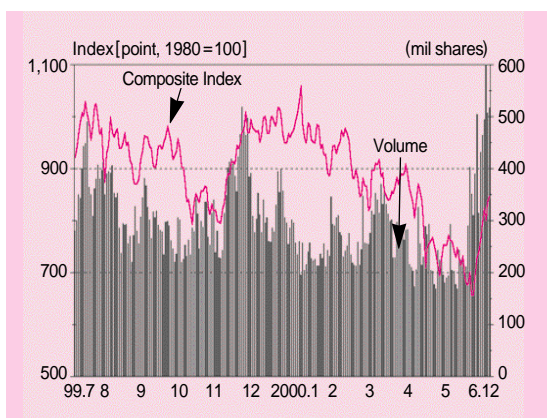


In May, the exchange rate showed rapid fluctuations of over 30 won. The won/dollar rate, which had lingered at around 1,100 won/dollar at the beginning of the month, fell to 1,140 at one point after mid-May due to financial market instability. Going into June, however, the exchange rate rose back to 1,110 won/dollar due to 2 billion dollars in foreign stock investment stemming from the upcoming South-North summit and expectations of a higher credit rating for Korea.

Exchange Rates*	98				99				2000				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	1	2	3	4	5
₩ / \$	1,378.80	1,385.20	1,373.60	1,204.00	1,191.40	1,157.60	1,204.00	1,138.00	1,123.20	1,131.0	1,107.4	1,109.1	1,129.4
¥ / \$	133.22	138.93	136.66	115.02	118.22	133.22	114.00	102.23	106.90	110.18	105.55	106.43	105.4

\*end of period

## Stock Market



The Korea Stock Price Index, which had fluctuated at around 700 until mid-May, plummeted after news of corporate financial woes and uncertainty regarding financial restructuring. However, market instability eased greatly with the announcement of corporate management normalization and the government's concrete plans about financial restructuring. With recovery of undervalued semiconductor-related shares or shares of banks intending to merge, the stock price index recovered to the 800's in early June.

Stock Market*	98				99				2000				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	1	2	3	4	5
Composite Stock Price Index (end)	481.04	297.88	310.32	562.46	572.30	769.30	943.79	1,028.07	942.88	828.38	860.94	725.39	731.88
Traded Volume (Avg, ten thousands)	8,394.4	5,704.2	7,728.4	9,771	14,922.3	26,983.4	31,716.3	27,879	28,943.5	25,723	21,473	22,815	24,702

\*end of period