

*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 | 7.8 |
| Nominal GDP (US\$ bil) | 345.7 | 402.4 | 489.4 | 520.0 | 476.6 | 317.7 | 406.7 | 469.4 |
| GNI per capita (US\$) | 7,811 | 8,998 | 10,823 | 11,380 | 10,307 | 6,742 | 8,581 | 10,051 |
| Gross Saving Rate | 35.2 | 35.4 | 35.5 | 33.8 | 33.4 | 34.0 | 33.7 | - |

Industry

While growth of industrial production in most sectors (including automobiles) has tapered off, increased exports and expanded semiconductor production helped the growth rate for July to record 17.9%. The year-over-year growth rates of wholesale and retail indexes as well as machinery orders have also slowed. Meanwhile, the growth of domestic construction orders showed a dramatic increase.

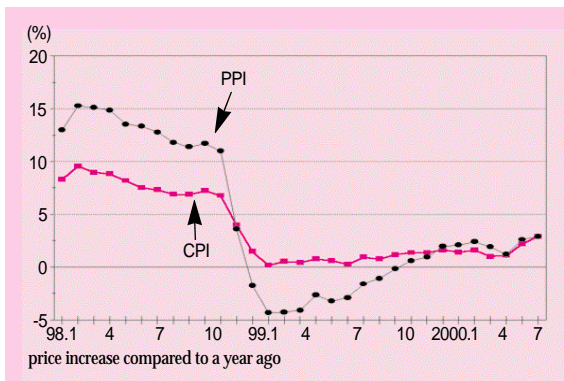
| Industrial Indexes (y-o-y, %) | 97 | 98 | | | | | 99 | | | | | 2000 | | | | | |
|---------------------------------------|-----|-------|-------|-------|-------|-------|-------|------|------|------|------|------|------|------|------|------|------|
| | | Q1 | Q2 | Q3 | Q4 | Avg. | Q1 | Q2 | Q3 | Q4 | Avg. | 12 | Q1 | Q2 | 4 | 5 | 6 |
| 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 | 18.3 | 16.9 | 20.1 | 17.9 |
| 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 | 12.4 | 11.6 | 14.7 | 11.1 |
| 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 | 8.3 | 25.1 | 10.2 | -5.8 |
| 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 | 20.4 | -4.4 | 18.8 | 44.3 |

Employment

In July, the unemployment rate declined to 3.6%, its lowest point since the outbreak of the economic crisis. This was largely due to increases in agriculture, fishery, and construction hiring. The number of unemployed decreased to below 800 thousand.

| | 97 | 98 | | | | | 99 | | | | | 2000 | | | | |
|---------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | | Q1 | Q2 | Q3 | Q4 | Avg. | Q1 | Q2 | Q3 | Q4 | Avg. | Q1 | Q2 | 4 | 5 | 6 |
| 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 | 21,268 | 21,065 | 21,349 | 21,390 |
| 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 | 4,215 | 4,229 | 4,208 | 4,207 |
| 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 | 3.8 | 4.1 | 3.7 | 3.6 |
| 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 | 840 | 900 | 828 | 793 |

Prices

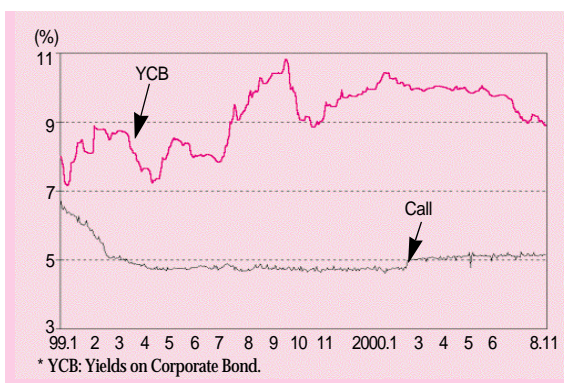


Consumer prices in July rose 0.3% from June, a 2.9% increase year-on-year. Public service charges rose 1.3% due to the rise in bus fare. Agricultural product prices and rent also rose 0.7% and 0.2% respectively, contributing to the overall price increase. Producer prices increased 0.2% from June, a 2.9% increase year-on-year.

| Prices*(%) | 98 | | | | 99 | | | | 2000 | | | | | | |
|---------------------|------|------|------|-----|------|------|------|-----|------|-----|-----|-----|-----|-----|-----|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Consumer Prices (%) | 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 | 2.2 | 2.9 |
| Producer Prices (%) | 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 | 2.6 | 2.9 |

*Percentage change over a year ago

Interest Rates

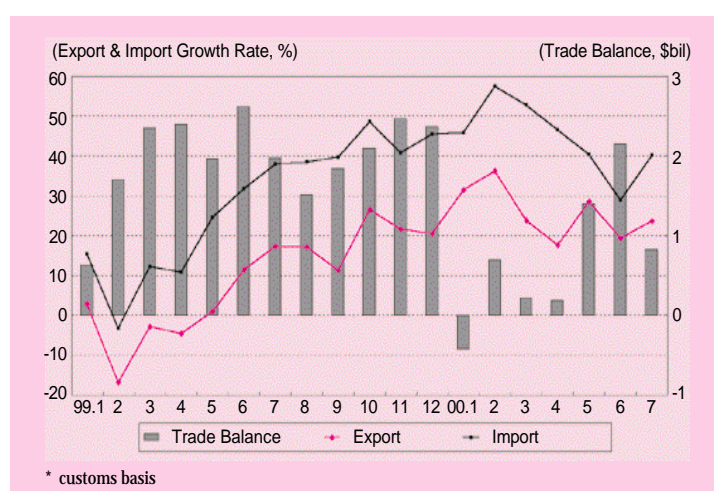


Although interest rates showed a small upturn because of deficient funding for the Special Fund for Bonds and the liquidity problems of some conglomerates, interest rates showed an overall decline thanks to a buying trend of financial institutions with plentiful liquidity. However, this buying trend has been limited to blue-chip corporate bonds and national bonds, and the financial situation of smaller firms remains tight.

| Domestic Interest Rates* (%) | 97 | 98 | | | | 99 | | | | 2000 | | | | | | |
|------------------------------------|------|------|------|-------|------|------|------|------|------|------|------|------|------|------|------|--|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | 2 | 3 | 4 | 5 | 6 | 7 | |
| Call Rate (overnight) | 35.0 | 22.1 | 14.3 | 7.09 | 6.53 | 4.88 | 4.85 | 4.67 | 4.84 | 5.02 | 4.90 | 5.01 | 5.12 | 5.08 | 5.13 | |
| Yield on CP (91 days) | 35.0 | 22.2 | 16.3 | 10.50 | 7.90 | 6.90 | 6.40 | 7.54 | 7.85 | 7.33 | 7.28 | 7.37 | 7.46 | 7.00 | 7.52 | |
| Yield on Corporate Bonds (3 years) | 29.0 | 18.3 | 16.0 | 11.90 | 8.00 | 8.10 | 7.96 | 9.23 | 9.95 | 9.90 | 9.98 | 9.94 | 9.89 | 9.00 | 9.17 | |

*End of period

Trade



Because of price increases of semiconductors and petrochemical products, exports to the US and EU improved and July's export figure showed an annual growth of 23.6% to record 14.52 billion dollars. Imports increased by 40.1% to log 13.7 billion dollars thanks to the economic recovery. As a result, July's trade balance greatly fell from the previous month's 2.15 billion dollars to 0.82 billion dollars.

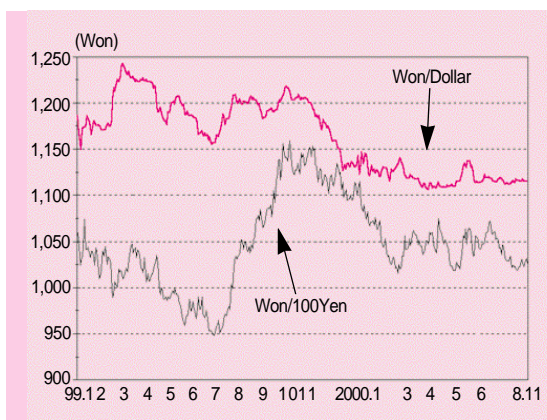
| External Transaction (US\$ bil) | 97 | 98 | 99 | 2000 | | |
|---------------------------------|-------|-------|-------|------|------|------|
| | | | | Q1 | Q2 | Jul |
| Export | 136.2 | 132.3 | 143.6 | 39.3 | 43.5 | 14.5 |
| Imports (CIF) | 144.6 | 93.3 | 119.8 | 38.8 | 39.8 | 13.7 |
| Current Account | -8.2 | 40.4 | 24.5 | 1.7 | 2.7 | 1.5 |
| Goods | -3.2 | 41.6 | 28.4 | 2.5 | 4.7 | 2.3 |
| Services | -3.2 | 1.0 | -0.7 | -0.8 | -1.0 | -0.5 |
| Income | -2.5 | -5.6 | -5.2 | -0.2 | -1.1 | -0.2 |
| Current Transfer | 0.7 | 3.3 | 1.9 | 0.3 | 0.0 | -0.1 |
| FX Reserves* | 8.9 | 48.5 | 74.1 | 83.7 | 90.2 | 90.4 |

*end of period

| External Liabilities* (US\$ bil) | 97 | 98 | 99 | 2000 | | | | | |
|----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | | | Jan | Feb | Mar | Apr | May | Jun |
| Long Term | 95.7 | 118.0 | 98.3 | 96.9 | 97.7 | 99.8 | 94.2 | 94.7 | 94.5 |
| Short Term | 63.6 | 30.7 | 38.4 | 40.0 | 41.3 | 43.4 | 46.2 | 46.8 | 47.5 |
| Total | 159.2 | 148.7 | 136.4 | 136.8 | 138.9 | 143.2 | 140.4 | 141.5 | 142.0 |

*end of period

Exchange Rates

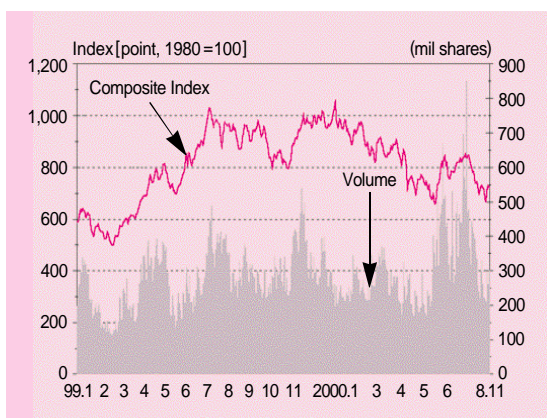


Because of the recent financial instability the won/dollar rate has generally risen. A further rise was somewhat prevented because foreign investors have changed their position from net sellers to net buyers in the stock market. The exchange rate fluctuated at about 1,115 won/dollar.

| Exchange Rates* | 98 | | | | 99 | | | | 2000 | | | | |
|-----------------|----------|----------|----------|----------|----------|----------|----------|----------|---------|---------|---------|----------|----------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | 3 | 4 | 5 | 6 | 7 |
| ₩ / \$ | 1,378.80 | 1,385.20 | 1,373.60 | 1,204.00 | 1,191.40 | 1,157.60 | 1,204.00 | 1,138.00 | 1,107.4 | 1,109.1 | 1,129.4 | 1,115.00 | 1,116.70 |
| ¥ / \$ | 133.22 | 138.93 | 136.66 | 115.02 | 118.22 | 133.22 | 114.00 | 102.23 | 105.55 | 106.43 | 105.4 | 105.57 | 109.48 |

*end of period

Stock Market



Going into August, the stock market showed increased fluctuation as a result of liquidity problems. Although stock prices rose marginally due to hopes of a resolution to the liquidity issue at the beginning of August, the stock index fell below 600 as it became apparent that a resolution would be delayed. In the middle of the month however, it seems that the stock index will return to a growth trend because investors think that extra difficulties will be unlikely.

| Stock Market* | 98 | | | | 99 | | | | 2000 | | | | |
|------------------------------------|---------|---------|---------|--------|----------|----------|----------|----------|--------|--------|--------|--------|--------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | 3 | 4 | 5 | 6 | 7 |
| Composite Stock Price Index (end) | 481.04 | 297.88 | 310.32 | 562.46 | 572.30 | 769.30 | 943.79 | 1,028.07 | 860.94 | 725.39 | 731.88 | 821.22 | 705.97 |
| 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 | 21,473 | 22,815 | 24,702 | 46,287 | 21,898 |

*end of period