

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

## The Economy

2000's GDP growth rate reached 9.5% while per capita GNI (a measure of consumers' real purchasing power) is expected to reach \$9,764.0. Economic growth is expected to slow down with a GDP growth rate just over 5% in 2001, while per capita GNI is forecast to shrink a little.

	1994	1995	1996	1997	1998	1999	2000(E)	2001(E)
GDP Growth Rate (%)	8.3	8.9	6.8	5.0	-6.7	10.7	9.5	5.5
Nominal GDP (US\$ bil)	402.4	489.4	520.0	476.6	317.7	406.7	445.3	469.7
GNI per capita (US\$)	8,998	10,823	11,380	10,307	6,742	8,581	9,764	9,299
Gross Saving Rate	35.4	35.5	33.8	33.4	34.0	33.7	-	-

## Industry

Production in December grew 4.7% year-on-year, which was a slowdown from the previous month. Wholesale and retail sales also decreased 2.2% year-on-year.

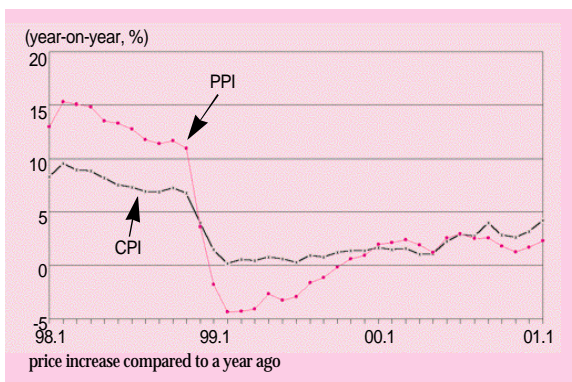
Industrial Indexes (y-o-y, %)	1999					2000				
	Q1	Q2	Q3	Q4	Avg.	Q1	Q2	Q3	Q4	Avg.
Industrial Production Indexes	14.1	24.6	28.5	28.9	24.2	23.4	18.3	19.6	7.4	16.6
Wholesale and Retail Trade Indexes	6.9	11.6	17.6	15.7	13.0	14.4	12.4	7.6	3.5	9.2
Domestic Machinery Orders Received	16.7	38.7	22.6	13.8	22.6	18.2	8.3	17.1	20.7	15.9
Domestic Construction Orders Received	-45.3	27.1	13.4	18.0	0.8	75.9	20.4	8.5	-6.9	17.3

## Employment

In December, the number of unemployed exceeded that of November by 96 thousand, and the unemployment rate rose 0.5% to reach 4.1%. This was an increase from October, when the unemployment rate fell to its lowest level since the financial crisis. The higher unemployment rate was caused by less hiring by manufacturing and construction firms due to the economic slowdown, as well as job-seeking by graduating students. As a result, the number of unemployed in their teens and 20s increased by 5.8% and 0.7% respectively. The unemployment rate fell by 0.7% year-on-year, and the seasonally adjusted unemployment rate was 4.0%, a 0.1% decrease from the previous month.

	97	98	1999					2000					
			Q1	Q2	Q3	Q4	Avg.	Q1	Q2	Q3	Q4	avg.	12
Total Employed (thousand)	21,106	19,994	19,105	20,362	20,695	20,962	20,281	20,313	21,268	21,395	21,266	21,061	20,857
Unemployment Rate(%)	2.6	6.8	8.4	6.6	5.6	4.6	6.3	5.1	3.8	3.6	3.7	4.1	4.1
Total Number of Unemployed (thousand)	556	1,461	1,749	1,435	1,220	1,011	1,353	1,092	840	804	817	889	893

**Prices**

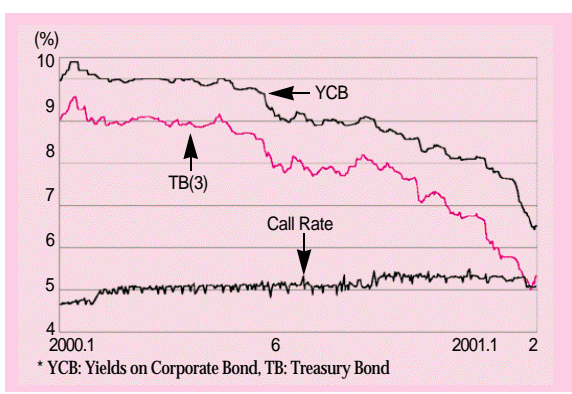


Consumer prices in January rose 4.2% year-on-year, and 1.1% from December. Producer prices recorded a rise of 2.3% year-on-year and 0.5% monthly. Such high rates of increase were due to demand from Korea's Lunar New Year holiday, higher agricultural prices following bad weather, and higher public service charges. Seasonal and temporary factors caused the rapid price hikes in January, and considering that demand-side inflationary pressures are low, eventual price stability is expected.

Prices*(%)	98	99	2000												2001	
			1	2	3	4	5	6	7	8	9	10	11	12	year	1
Consumer Prices (%)	7.5	0.8	1.6	1.4	1.6	1.0	1.1	2.2	2.9	2.7	3.9	2.8	2.6	3.2	2.3	4.2
Producer Prices (%)	12.2	-2.1	2.0	2.1	2.4	1.9	1.2	2.6	2.9	2.5	2.5	1.8	1.3	1.7	2.0	2.3

\* Percentage change over a year ago

**Interest Rates**

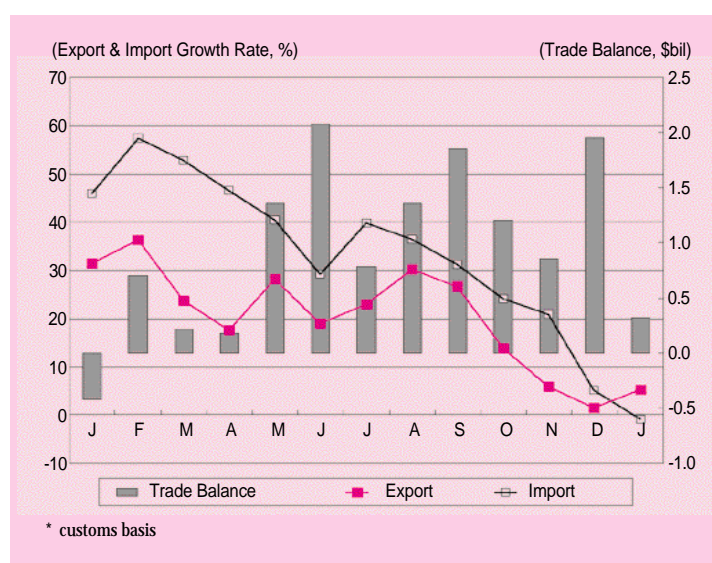


Amid the continued supplementary asset management of institutional investors (mostly banks), the market's interest rates fell excessively, with the yield of three-year treasury bonds falling below that of the one-day call rate. Although rates shot up by about 19 basis points after the announcement of treasury bond market overheating by the Bank of Korea's governor, there have been no changes in fundamental market risk, and the low interest rate effect is expected to continue in the near future.

Domestic Interest Rates* (%)	1999				2000				2001
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2. 16
Call Rate (overnight)	4.88	4.85	4.67	4.84	5.11	5.16	5.03	6.01	5.06
Yield on CP (91 days)	6.90	6.40	7.54	7.85	7.28	7.61	7.40	7.13	6.01
Yield on Corporate Bonds (3 years)	8.10	7.96	9.23	9.95	10.01	9.41	9.04	8.13	6.51

\*End of period

## Trade



Exports increased by 20.1% year-on-year to recover a two-digit level for the first time since 1995. Acting as the engine of growth for the domestic economy, exports had a contribution rate of 65.0% in the third quarter of 2000. The reasons for the strong performance included the strong US economy, China's steady growth, and economic recovery in the developing countries.

Imports grew 34.0% from the previous year due to recovery of the domestic economy and rise in world oil prices. However, with stabilized oil prices, the import growth rate fell sharply in December to 5.0%. The rapid increase of imports in 2000 was caused by higher prices as well as increased orders from economic growth.

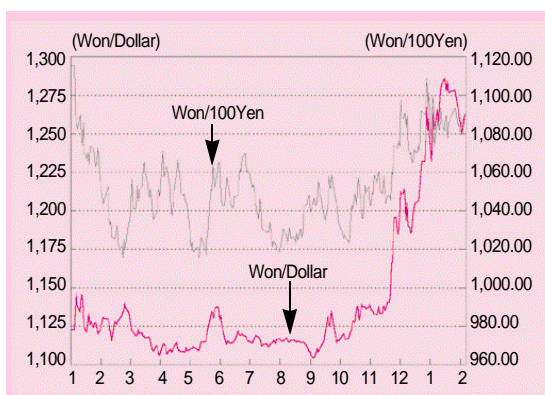
External Transaction (US\$ bil)	97	98	99	2000				Total
				Q1	Q2	Q3	Q4	
Export (FOB)	136.2	132.3	143.6	39.3	43.4	44.5	45.4	172.6
Imports (CIF)	144.6	93.3	119.8	38.8	39.8	40.4	41.4	160.5
Current Account	-8.2	40.4	24.5	1.7	2.7	3.6	-	7.7
Goods	-3.2	41.6	28.4	2.5	4.7	5.6	-	12.8
Services	-3.2	1.0	-0.7	-1.0	-1.0	-1.5	-	-3.5
Income	-2.5	-5.6	-5.2	-0.3	-1.1	-0.4	-	-1.8
Current Transfer	0.7	3.3	1.9	0.2	0.1	-0.1	-	0.2
FX Reserves*	8.9	48.5	74.1	83.7	90.2	92.5	96.2	

\*end of period

External Liabilities* (US\$ bil)	97	98	99	2000					
				Jun	Jul	Aug	Sep	Oct	Nov
Long Term	95.7	118.0	97.8	94.5	94.4	94.3	93.7	92.3	91.8
Short Term	63.6	30.7	39.2	47.5	47.8	47.5	46.8	46.1	44.8
Total	159.2	148.7	137.0	142.0	142.1	141.9	140.5	138.4	136.6

\*end of period

## Exchange Rates

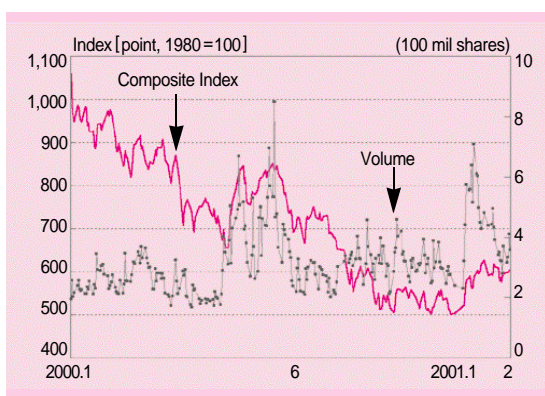


The won/dollar rate dropped to 1,240 due to the banking sector's dollar supply for the settlement of NDF in late February. The yen's rebound against the dollar and equity purchases by foreigners also made the rate decline further. As stock market sentiment remained bullish, the won/dollar rate fluctuated between 1,240 and 1,250.

Exchange Rates*	1998				1999				2000			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
₩ / \$	1,378.80	1,385.20	1,373.60	1,204.00	1,191.40	1,157.60	1,204.00	1,138.00	1,108.3	1,114.9	1,115.0	1,265.0
¥ / \$	133.22	138.93	136.66	115.02	118.22	133.22	114.00	102.23	102.67	105.92	108.12	114.32

\*end of period

## Stock Market



After the interest rate cuts in the US, the Kospi stayed at around 600 without any major fluctuations. Although a modest rising trend was observed in the second week of February, the cautionary remark by the Bank of Korea's governor that the government bond market may be overheating caused the financial market to contract. It is expected that the stock market will not fluctuate widely for the rest of the month.

Stock Market*	1999				2000				2001
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2. 16
Composite Stock Price Index (end)	572.30	769.30	943.79	1,028.07	860.94	821.22	613.22	504.62	604.92
Traded Volume (Avg, ten thousands)	14,922.3	26,983.4	31,716.3	27,879	12,155	45,908	34,279	23,968	31,682

\*end of period