

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

## The Economy

2000's GDP growth rate reached 8.8% while per capita GNI (a measure of consumers' real purchasing power) is expected to reach \$9,628.0. Economic growth is expected to slow down with a GDP growth rate just over 4% in 2001, while per capita GNI is forecast to shrink a little.

	1995	1996	1997	1998	1999	2000*	2001.Q1	2001(E)
GDP Growth Rate (%)	8.9	6.8	5.0	-6.7	10.7	8.8	3.7	4.3
Nominal GDP (US\$ bil)	489.4	520.0	476.6	317.7	405.8	457.4	99.8	419.6
GNI per capita (US\$)	10,823.0	11,380.0	10,307.0	6,723.0	8,551.0	9,628.0	2,007	8,796.4
Gross Saving Rate	35.5	33.8	33.4	33.9	32.9	32.3	29	-

## Industry

Production in April rose 5.7% year-over-year, while exports rose 4.0% and wholesale and retail sales rose 3.9%. The average facility utilization rate was 74%, a slight decline from the previous month. In addition, the cyclical fluctuation of the coincident composite index fell by 0.2% from the previous month, and the leading coincident index rose 0.1% year-over-year.

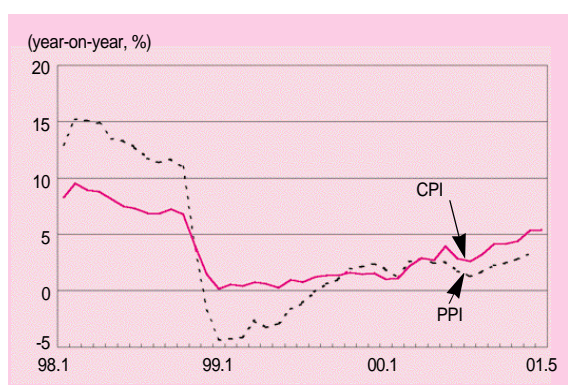
Industrial Indexes (y-o-y, %)	2000					2001			
	Q1	Q2	Q3	Q4	Avg.	Jan	Feb	Mar	Apr
Industrial Production Indexes	23.4	18.3	19.6	7.4	16.6	0.1	8.8	6.4	5.7
Wholesale and Retail Trade Indexes	14.4	12.4	8.0	3.9	9.8	2.2	1.6	3.6	3.9
Domestic Machinery Orders Received	18.2	8.3	7.0	17.3	11.7	-14.5	2.8	19.9	-11.8
Domestic Construction Orders Received	75.9	20.4	7.9	-7.0	15.1	-32.1	-14.6	-27.2	0.0

## Employment

In May, the number of unemployed fell by 48 thousand in the previous month to 780 thousand persons. The unemployment rate decreased 0.2% to 3.5%, which was the third month of decline. The number of unemployed with the ability and willingness to work but have given up their job search also decreased by 11 thousand persons from April. The total number of jobholders in April was nearly 21.8 million persons, a rise in most sectors from April. In particular, the manufacturing industry, which was relatively stagnant, saw revived hiring. The hiring structure remains unstable however, with more part-time rather than full time workers. By OECD standards, the unemployment rate fell 0.4% from April to 3.6%.

	1999	2000					2001				
		Q1	Q2	Q3	Q4	Avg.	1	2	3	4	5
Total Employed (thousand)	20,281	20,313	21,268	21,395	21,266	21,061	20,286	20,196	20,728	21,504	21,779
Unemployment Rate (%)	6.3	5.1	3.8	3.6	3.7	4.1	4.6	5.0	4.8	3.8	3.5
Total Number of Unemployed (thousand)	1,353	1,092	840	804	817	889	982	1,069	1,035	848	780

## Prices

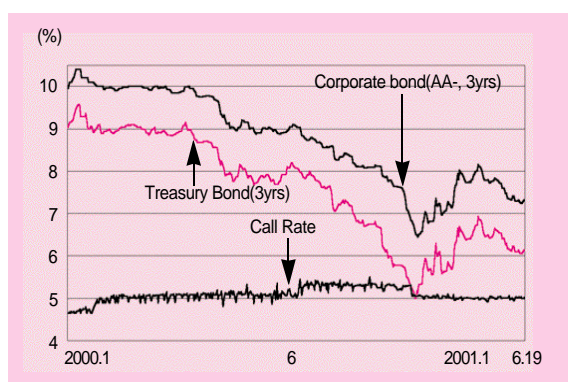


In May, consumer prices rose 5.4% year-over-year, but stayed constant from the previous month due to stable prices for agricultural produce. Between January to May, consumer prices rose 4.7% y-o-y (2.5% from late 2000) due to a hike in public service fees. Prices for living necessities rose 6.3% y-o-y (-0.2% from April), producer prices rose by 3.4% y-o-y (-0.1% from April). Prices are expected to remain stable in the second half of 2001 with weak demand pressures and the stabilization of oil prices and the exchange rate.

Prices*(%)	99	2000					2001				
		Q1	Q2	Q3	Q4	year	1	2	3	4	5
Consumer Prices (%)	0.8	1.5	1.4	3.2	2.9	2.3	4.2	4.2	4.4	5.3	5.4
Producer Prices (%)	-2.1	2.2	1.9	2.6	1.6	2.0	2.3	2.4	2.8	3.3	3.4

\*Percentage change over a year ago

## Interest Rates

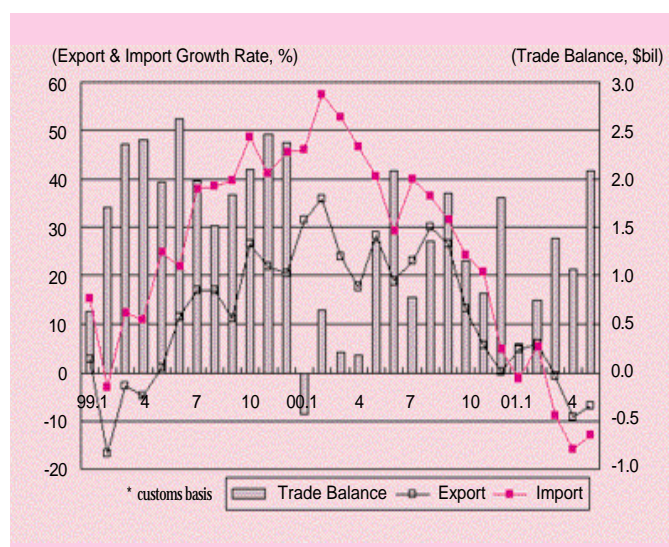


The contraction in bond market buying continues. Although this is partly due to an expansion in supply, expectations of a further interest rate cut seem to be the main factor. In addition, considering the Bank of Korea's expected call rate cut, market profitability is not expected to improve in the near future.

Domestic Interest Rates* (%)	2000				2001				
	Q1	Q2	Q3	Q4	Jan	Feb	Mar	Apr	May
Call Rate (overnight)	5.11	5.16	5.03	6.01	5.27	5.06	5.01	5.01	5.03
Yield on CP (91 days)	7.28	7.61	7.40	7.13	6.55	6.11	5.97	6.10	5.89
Yield on Corporate Bonds (3 years)	10.01	9.41	9.04	8.13	7.38	6.77	7.67	8.05	7.37

\*End of period

## Trade



Exports in May decreased by 6.9% year-over-year to 13.63 billion dollars. This was a smaller decrease than the previous month, thanks to improving exports of ships, plants, mobile phones, petrochemical goods, machinery, telecom and cable wire, and auto components. Imports decreased by 13% y-o-y to 11.55 billion dollars, resulting in a trade surplus of 2.07 billion dollars, the largest surplus since December 1999. Although raw material and capital goods imports declined by 8% and 23% respectively, consumer goods imports were similar to the previous month at 4%. As a result, exports from January to May decreased 2.2% y-o-y to 65.93 billion dollars, imports fell 7.1% y-o-y to 60.77 billion dollars, and the trade surplus increased by 2 billion from last year to record 60.77 billion dollars.

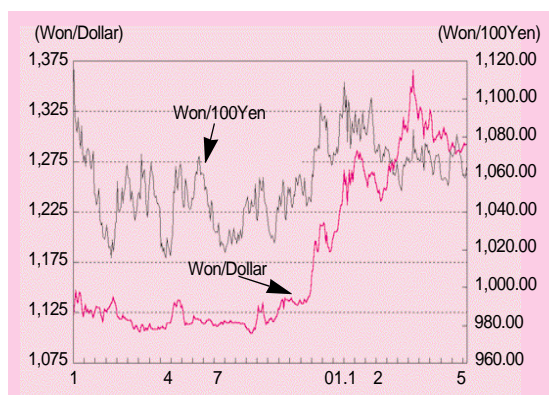
External Transaction (US\$ bil)	97	98	99	2000	2001		
					Q1	Apr	May
Export (FOB)	136.2	132.3	143.6	172.3	40.5	12.3	13.6
Imports (CIF)	144.6	93.3	119.8	160.5	38.1	11.2	11.6
Current Account	-8.2	40.4	24.5	11.0	3.2	0.6	2.3
Goods	-3.2	41.6	28.4	16.6	3.5	1.4	2.2
Services	-3.2	1.0	-0.7	-4.0	-0.6	-0.1	-0.3
Income	-2.5	-5.6	-5.2	-2.2	0.0	-0.7	0.4
Current Transfer	0.7	3.3	1.9	0.6	0.1	0.0	0.0
FX Reserves*	8.9	48.5	74.1	96.2	94.4	93.5	93.6

\*end of period

External Liabilities* (US\$ bil)	97	98	99	2000	2001			
					Jan	Feb	Mar	Apr
Long Term	95.7	118.0	97.8	92.1	91.1	89.8	87.5	86.5
Short Term	63.6	30.7	39.2	44.2	42.3	41.8	42.4	42.7
Total	159.3	148.7	137.0	136.3	133.4	131.7	129.8	129.2

\*end of period

## Exchange Rates

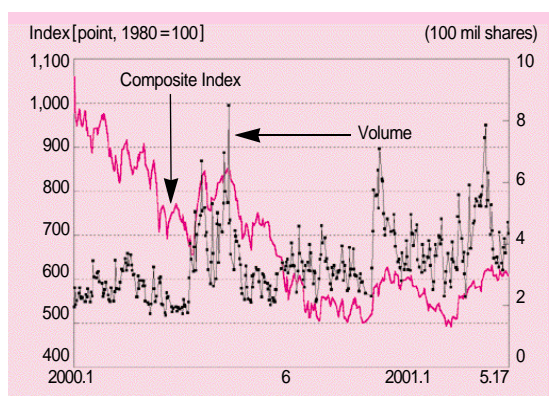


The won/dollar rate stabilized within the range of 1285 to 1295. Due to worries of a retraction of Japan's financial reform and equity sales by foreigners, the yen's rebound against the dollar hit a ceiling, which kept the won from further strengthening. Because positive and negative factors on the won are intricately entangled, the won's recent volatility has diminished dramatically.

Exchange Rates*	1999				2000				2001		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Apr	May
₩ / \$	1,191.40	1,157.60	1,204.00	1,138.00	1,108.3	1,114.9	1,115.0	1,265.0	1,320.50	1,319.7	1,282.7
¥ / \$	118.22	133.22	114.00	102.23	102.67	105.92	108.12	114.32	123.16	123.83	119.13

\*end of period

## Stock Market



Going into June, the Korea Stock Price Index hovered between 600 to 620. In addition to influence from the US markets, this seems to have been due to a lack of events in the domestic market. However, with an economic recovery expected in the second half of the year, the stock index is unlikely to fall below 600. In addition, if the Bank of Korea reduces interest rates, the index may see a short term boost.

Stock Market*	2000				2001				
	Q1	Q2	Q3	Q4	Jan	Feb	Mar	April	May
Composite Stock Price Index (end)	860.94	821.22	613.22	504.62	617.91	578.10	523.22	577.36	612.16
Traded Volume (Avg, ten thousands)	12,155	45,908	34,279	23,968	43,345	34,875	41,438.4	36,837.6	38,198

\*end of period