

*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 May slowed from April to rise 2.3% year-over-year, while wholesale and retail sales rose 4.9%, an improvement from the previous month. In facility investment, machinery imports and facility investment estimates continued their decline, but domestic machinery orders increased by 3.2%. Domestic construction orders also showed a steep increase of 16%. The cyclical fluctuation of the coincident composite index decreased by 0.2%.

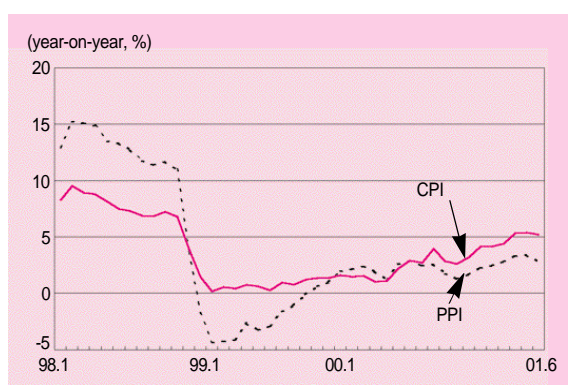
Industrial Indexes (y-o-y, %)	2000					2001		
	Q1	Q2	Q3	Q4	Avg.	Q1	4	5
Industrial Production Indexes	23.4	18.3	19.6	7.4	16.6	5.0	5.6	2.3
Wholesale and Retail Trade Indexes	14.4	12.4	8.0	3.9	9.8	2.5	4.0	4.9
Domestic Machinery Orders Received	18.2	8.3	7.0	17.3	11.7	3.7	-11.8	3.2
Domestic Construction Orders Received	75.9	20.4	7.9	-7.0	15.1	-25.3	0.0	16.0

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.	Q1	4	5
Total Employed (thousand)	20,281	20,313	21,268	21,395	21,266	21,061	20,403	21,504	21,779
Unemployment Rate (%)	6.3	5.1	3.8	3.6	3.7	4.1	4.8	3.8	3.5
Total Number of Unemployed (thousand)	1,353	1,092	840	804	817	889	1,029	848	780

Prices

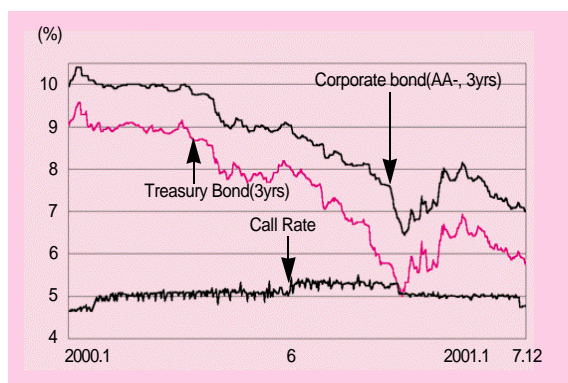


Consumer prices in June rose 5.2% year-over-year, a 0.3% rise from May due to higher agricultural prices resulting from the drought. Between January and June, consumer prices rose 4.7% y-o-y (2.8% from late 2000) due to a hike in public service fees. Prices for living necessities rose 5.3% y-o-y (0.4% from May), and producer prices rose by 2.8% y-o-y (0% from May). Although demand-side inflationary pressure remains weak, international raw materials prices may rise and the won/dollar rate may appreciate, so price stability in the second half cannot be guaranteed.

Prices*(%)	99	2000				2001				
		Q1	Q2	Q3	Q4	year	3	4	5	6
Consumer Prices (%)	0.8	1.5	1.4	3.2	2.9	2.3	4.4	5.3	5.4	5.2
Producer Prices (%)	-2.1	2.2	1.9	2.6	1.6	2.0	2.8	3.3	3.4	2.8

*Percentage change over a year ago

Interest Rates

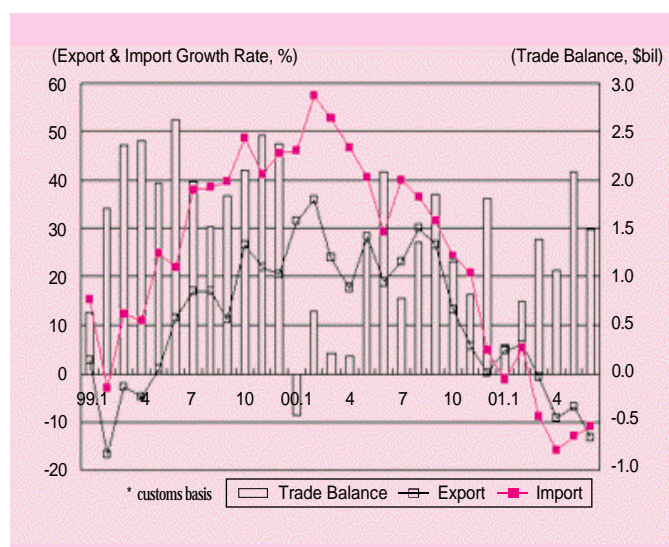


With uncertain prospects for the domestic and international economies, the Bank of Korea cut the call rate by 0.25% in the first week of June to stimulate the economy. As a result, banks are lowering their borrowing rates and some are also lowering their lending rates. Therefore, a trend of low interest rates is spreading through the financial market, and this trend is expected to continue in the future. There is also a possibility that rates may further decline due to the escape of funds from bank deposits into the second financial sector.

Domestic Interest Rates* (%)	2000				2001			
	Q1	Q2	Q3	Q4	Q1	Apr	May	June
Call Rate (overnight)	5.11	5.16	5.03	6.01	5.01	5.01	5.03	5.04
Yield on CP (91 days)	7.28	7.61	7.40	7.13	5.97	6.10	5.89	5.62
Yield on Corporate Bonds (3 years)	10.01	9.41	9.04	8.13	7.67	8.05	7.37	7.10

*End of period

Trade



Exports in June amounted to 13.2 billion dollars, a 13.4% decrease year-over-year. This was due to the stagnation of the IT industry in the US and other advanced countries, which led to decreased semiconductor and computer exports. In addition, labor disputes and repair of oil refineries have disrupted exports. By product, semiconductors and computers recorded -48% and -30% growth, while textiles, iron and steel, and petrochemicals also showed growth of -15%, -5%, and -9% respectively. Imports recorded 11.7 billion dollars, an 11.1% decrease year-over-year, resulting in a trade surplus of 1.48 billion dollars. For the first half of 2001, exports decreased by 4.5% to record 78.97 billion dollars, imports decreased 7.8% to record 72.48 billion dollars, and the trade surplus was 6.48 billion dollars.

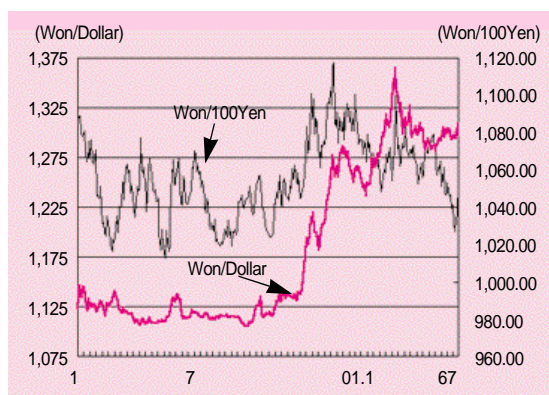
External Transaction (US\$ bil)	97	98	99	2000	2001			
					Q1	Apr	May	June
Export (FOB)	136.2	132.3	143.6	172.3	40.5	12.3	13.6	13.2
Imports (CIF)	144.6	93.3	119.8	160.5	38.1	11.2	11.6	11.7
Current Account	-8.2	40.4	24.5	11.0	3.2	0.6	2.3	-
Goods	-3.2	41.6	28.4	16.6	3.5	1.4	2.2	-
Services	-3.2	1.0	-0.7	-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	94.3

*end of period

External Liabilities* (US\$ bil)	97	98	99	2000	2001			
					Feb	Mar	Apr	May
Long Term	95.7	118.0	97.8	92.1	89.8	87.5	86.5	85.8
Short Term	63.6	30.7	39.2	44.2	41.8	42.4	42.7	42.9
Total	159.3	148.7	137.0	136.3	131.7	129.8	129.2	128.7

*end of period

Exchange Rates

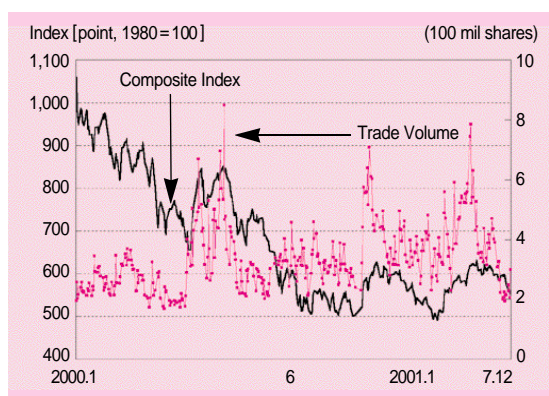


Due to the weak yen and market anxiety in the second quarter, the won/dollar rate fell from 1,365 in early April to 1,297.5 in late June, a decline of 30 won from the end of the previous quarter. The won/yen rate showed downward stabilization during the second quarter, and the rate fluctuated between 1,050 and 1,080 in April and May, and fell to 1,040 in June. The won/yen rate in late June recorded 1,040.75, a decrease of 17.5 won from the end of the previous quarter.

Exchange Rates*	1999				2000				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Apr	May	June
₩ / \$	1,191.4	1,157.6	1,204.0	1,138.0	1,108.3	1,114.9	1,115.0	1,265.0	1,320.5	1,319.7	1,282.7	1,297.5
¥ / \$	118.2	133.2	114.0	102.2	102.7	105.9	108.1	114.3	123.2	123.8	119.1	124.7

*end of period

Stock Market



Due to continued stock market stagnation in the US, Japan, and Europe, as well as delayed recovery of the domestic economy, the Korea stock price index, which had remained above 600 in early June, continued to fall in July. Considering the expanded sale of blue chip stocks by foreign investors, who had supported the domestic stock market, the stock index is unlikely to show an early recovery.

Stock Market*	2000				2001			
	Q1	Q2	Q3	Q4	Q1	April	May	June
Composite Stock Price Index (end)	860.94	821.22	613.22	504.62	523.22	577.36	612.16	595.13
Traded Volume (Avg, ten thousands)	12,155	45,908	34,279	23,968	41,438.4	36,837.6	38,198	22,298

*end of period