

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

The Economy

2000's GDP growth reached 8.8% while per capita GNI(a measure of consumers' real purchasing power) has reached \$9,628.0. Economic growth is expected to slow down with a GDP growth rate just over 3.8% in 2001, and per capita GNI is forecast to decrease about \$898 due to the depreciation of foreign exchange.

	1997	1998	1999	2000*	2001.Q1	2001.Q	2001(E)	2002(E)
GDP Growth Rate (%)	5.0	-6.7	10.7	8.8	3.7	2.7	3.8	4.7
Nominal GDP (US\$ bil)	476.6	317.7	405.8	457.4	-	-	411.7	449.2
GNI per capita (US\$)	10,307.0	6,723.0	8,551.0	9,628.0	-	-	8,730	9,650
Gross Saving Rate	33.4	33.9	32.9	32.3	29.0	-	-	-

Industry

Overall production in June fell by 2.7% year-over-year, but rose by 2.3% if the decline in semiconductors (-16.1%) is excluded. The average factory operation rate fell from May to 74.2%, and although wholesale and retail sales increased by 4.1%, growth slowed from the previous month. While facility investment decreased by 2.8%, the decrease rate fell from the previous month due to higher IT investment. Construction orders, which showed a strong increase in the previous month, fell by 8.3% in July. The cyclical fluctuation of the coincident composite index decreased by 0.4%, but the leading index rose by 0.7% from the previous month.

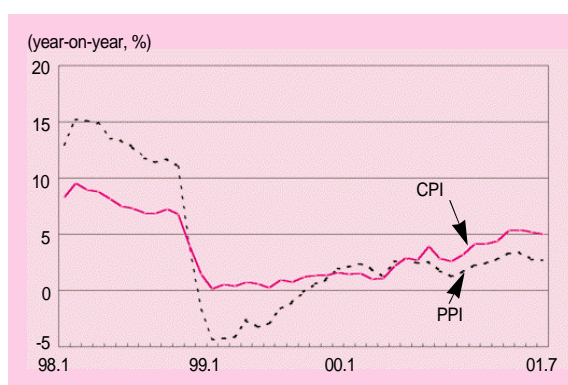
Industrial Indexes (y-o-y, %)	2000					2001			
	Q1	Q2	Q3	Q4	Avg.	Q1	4	5	6
Industrial Production Indexes	23.4	18.3	19.6	7.4	16.6	5.0	5.6	2.3	-2.7
Wholesale and Retail Trade Indexes	14.4	12.4	8.0	3.9	9.8	2.5	4.0	4.9	4.1
Domestic Machinery Orders Received	18.2	8.3	7.0	17.3	11.7	3.7	-11.8	3.2	0.7
Domestic Construction Orders Received	75.9	20.4	7.9	-7.0	15.1	-25.3	0.0	16.0	-8.3

Employment

In July, the number of unemployed rose by 64 thousand from June to 809 thousand persons. The unemployment rate rose by 0.1% to 3.4%, the first increase in four months. There was an increasing number of unemployed in their teens, forties, and sixties, while unemployment levels remained similar for those in their twenties and thirties. The total number of jobholders rose by 12 thousand from the previous month, and the number of persons willing and able to work but have given up their job search increased by 12 thousand (10.2%). The proportion of temporary workers increased, reflecting continued instability in the employment structure.

	1999	2000	2001					
			Q1	Q2	4	5	6	7
Total Employed (thousand)	20,281	21,061	20,403	21,748	21,504	21,779	21,748	21,760
Unemployment Rate (%)	6.3	4.1	4.8	3.3	3.8	3.5	3.3	3.4
Total Number of Unemployed (thousand)	1,353	889	1,029	745	848	780	745	809

Prices

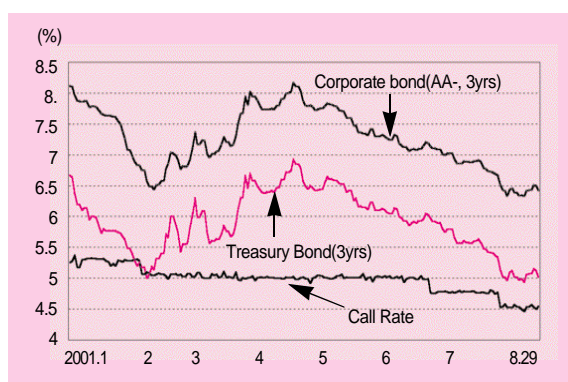


Consumer prices in July rose by 5.0% y-o-y, a slowdown from 5.2% in June, due to a fall in public service fees, although produce prices continued to rise. While prices of food and housing rose steeply, prices for basic daily life such as public service fees moderated, causing the CPI for living necessities to rise by 5.5% y-o-y, a slowdown from 5.9% in June. Producer prices rose by 2.7% y-o-y, which was also a continued slowdown.

Prices*(%)	99	2000					2001				
		Q1	Q2	Q3	Q4	year	3	4	5	6	7
Consumer Prices (%)	0.8	1.5	1.4	3.2	2.9	2.3	4.4	5.3	5.4	5.2	5.0
Producer Prices (%)	-2.1	2.2	1.9	2.6	1.6	2.0	2.8	3.3	3.4	2.8	2.7

*Percentage change over a year ago

Interest Rates

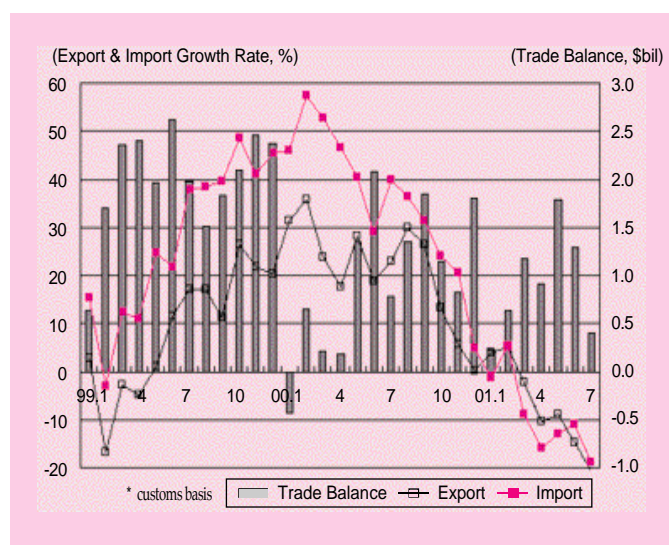


Although the low interest rate trend continued with a call rate cut in early August, daily fluctuation has recently increased. This was due to the possibility of another cut in the call rate as well as change in related indicators, in a financial market where a possible rate cut is a key variable.

Domestic Interest Rates* (%)	2000				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Jul	8.29
Call Rate (overnight)	5.11	5.16	5.03	6.01	5.01	5.04	4.77	4.55
Yield on CP (91 days)	7.28	7.61	7.40	7.13	5.97	5.62	5.23	4.90
Yield on Corporate Bonds (3 years)	10.01	9.41	9.04	8.13	7.67	7.10	6.89	6.42

*End of period

Trade



Exports in July totalled 11.49 billion dollars, a 20.5% fall year over year and the lowest figure this year. The steep fall in semiconductor and computer exports was the main reason for the dismal performance. Although export quantity actually rose by an estimated 8% in the first six months of the year, export prices rapidly fell by 12%. By region, exports to key markets such as the US, Japan, EU, and the ASEAN countries showed double-digit contractions. Imports in July amounted to 11.08 billion dollars, an 18.9% annual decrease. This was due to continued double-digit declines in capital goods and raw materials imports, despite a modest import increase for consumer goods. Imports of most raw materials declined due to lower world prices for commodities such as oil. The trade balance for July was 0.4 billion dollars, creating a cumulative trade surplus of 6.44 billion dollars until the end of July.

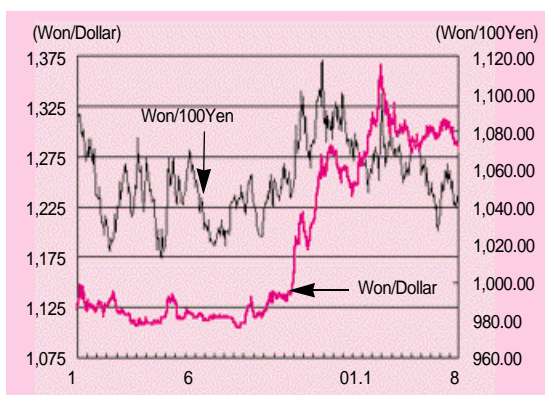
External Transaction (US\$ bil)	97	98	99	2000	2001		
					Q1	Q2	Jul
Export (FOB)	136.2	132.3	143.6	172.3	40.1	38.5	11.5
Imports (CIF)	144.6	93.3	119.8	160.5	38.1	34.5	11.1
Current Account	-8.2	40.4	24.5	11.0	3.1	3.7	0.5
Goods	-3.2	41.6	28.4	16.6	3.5	5.2	0.9
Services	-3.2	1.0	-0.7	-4.0	-0.6	-0.8	-0.5
Income	-2.5	-5.6	-5.2	-2.2	0.0	-0.5	0.1
Current Transfer	0.7	3.3	1.9	0.6	0.1	-0.1	0.0
FX Reserves*	8.9	48.5	74.1	96.2	94.4	94.3	97.1

*end of period

External Liabilities* (US\$ bil)	97	98	99	2000	2001			
					Q1	Apr	May	Jun
Long Term	95.7	118.0	97.8	92.1	87.5	86.5	85.8	85.9
Short Term	63.6	30.7	39.2	44.2	42.4	42.7	42.9	41.1
Total	159.3	148.7	137.0	136.3	129.8	129.2	128.7	127.0

*end of period

Exchange Rates

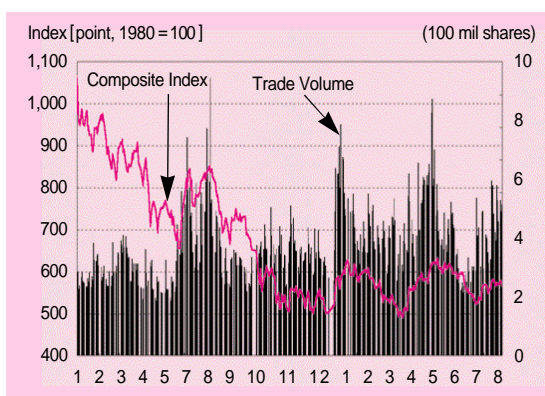


The won/dollar rate in July rose to 1,311 at one point but with the weakening US dollar due to the US economic slump, the Japanese yen strengthened, which lowered the won/dollar rate also. The yen/dollar rate began falling below 120 in August, bringing the won/dollar rate to fall below 1,300. The won/dollar rate fell to 1,280, but rose back to the 1,300 level due to the government's intervention in the foreign exchange market. With exports in July falling by 20%, the authorities are making policy announcements in the foreign exchange market to prevent export prices from rising.

Exchange Rates*	1999				2000				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Jul	8.26
₩ / \$	1,191.4	1,157.6	1,204.0	1,138.0	1,108.3	1,114.9	1,115.0	1,265.0	1,327.5	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



Although the Korea Stock Price Index reached the high 500 level due to promising corporate restructuring progress by companies such as Hyundai Investment Trust and Securities, further increases seem unlikely in light of the economy's uncertain prospects. Domestic and international fundamentals need to improve before additional increases are possible.

Stock Market*	2000				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Jul	8.29
Composite Stock Price Index (end)	860.94	821.22	613.22	504.62	523.22	595.13	541.55	565.63
Traded Volume (Avg, ten thousands)	12,155	45,908	34,279	23,968	41,438.4	22,298	20,045	46,414.3

*end of period