

*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) reached \$9,628.0. Economic growth is expected to slow down with a GDP growth rate just over 2.5% in 2001, and per capita GNI is forecast to decrease to \$8,500 in light of the recent terrorist attacks in the US.

	1997	1998	1999	2000*	2001.Q1	2001.Q2	2001(E)	2002(E)
GDP Growth Rate (%)	5.0	-6.7	10.7	8.8	3.7	2.7	2.5	4.2
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	-	-	8,500	9,200
Gross Saving Rate	33.4	33.9	32.9	32.3	29.0	-	-	-

Industry

Production in August decreased by 4.7% y-o-y, with semiconductor production showing a continued but slower decline of 11.6%. The average factory operation rate increased slightly from last month to 73.4%. Wholesale and retail sales increased 3.5% y-o-y, a steeper increase than seen in the previous month, and shipments of domestic consumer goods rose by an impressive 104%. Facility investment, which has been stagnant in recent months, fell by 19.0% y-o-y in August and construction orders, which had been relatively strong, fell by 8.8%. The cyclical component of the coincident index, which indicates current economic conditions, fell by 0.4 for the third straight month, but the leading index rose by 0.7% y-o-y.

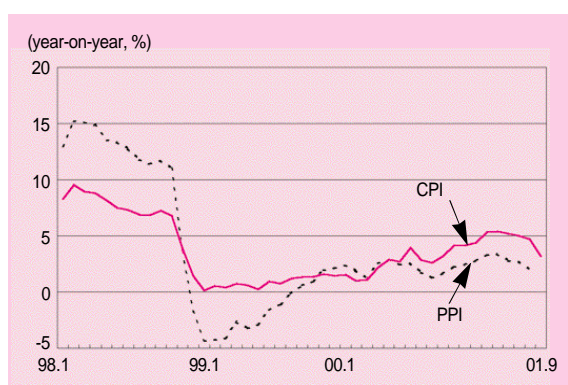
Industrial Indexes (y-o-y, %)	2000					2001			
	Q1	Q2	Q3	Q4	Avg.	Q1	Q2	7	8
Industrial Production Indexes	23.4	18.3	19.6	7.4	16.6	5.0	1.7	-5.7	-4.7
Wholesale and Retail Trade Indexes	14.4	12.4	8.0	3.9	9.8	2.5	4.4	2.9	3.5
Domestic Machinery Orders Received	18.2	8.3	7.0	17.3	11.7	3.7	-2.8	-11.8	-8.9
Domestic Construction Orders Received	75.9	20.4	7.9	-7.0	15.1	-25.3	1.7	-18.8	-18.3

Employment

The number of unemployed in August fell by 8,000 from the previous month to 752 thousand, and the unemployment rate maintained its level in July of 3.4% (the seasonally adjusted rate fell by 0.1% from the previous month to 3.6%). The number of persons hired fell by 236 thousand from July. Despite the decrease in the number of newly hired, the unemployment rate did not fall because August was a vacation period and job-seeking by students fell steeply (the teenage unemployment rate declined). Some structural improvement was also seen, with the number of discouraged unemployed falling by 3.1% from the previous month and 22.7% y-o-y.

	1999	2000	2001						
			Q1	Q2	4	5	6	7	8
Total Employed (thousand)	20,281	21,061	20,403	21,748	21,504	21,779	21,748	21,760	21,524
Unemployment Rate (%)	6.3	4.1	4.8	3.3	3.8	3.5	3.3	3.4	3.4
Total Number of Unemployed (thousand)	1,353	889	1,029	745	848	780	745	809	752

Prices

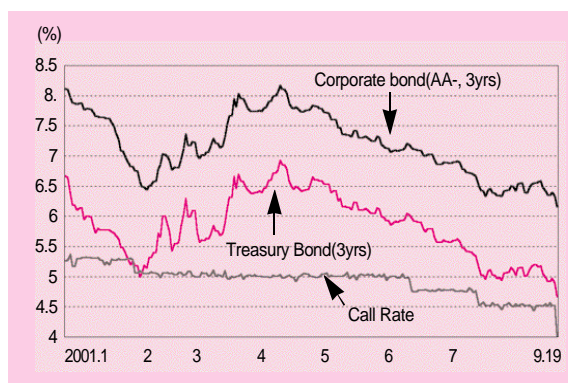


Consumer prices in September maintained their level from August, but increased 3.2% y-o-y. This was a continuous slow-down since May, when prices rose 5.4% y-o-y. Although housing rents and various service fees rose, the price of agricultural goods such as vegetables fell, which slowed the inflation rate. With inflation moderating for basic necessities, living necessities prices increased by 26% y-o-y, a significant slowdown. Although crude oil prices temporarily rose due to the recent terrorist tragedy, they quickly stabilized and had little effect on domestic prices.

Prices*(%)	99	2000					2001						
		Q1	Q2	Q3	Q4	year	3	4	5	6	7	8	9
Consumer Prices (%)	0.8	1.5	1.4	3.2	2.9	2.3	4.4	5.3	5.4	5.2	5.0	4.7	3.2
Producer Prices (%)	-2.1	2.2	1.9	2.6	1.6	2.0	2.8	3.3	3.4	2.8	2.7	2.0	-

*Percentage change over a year ago

Interest Rates

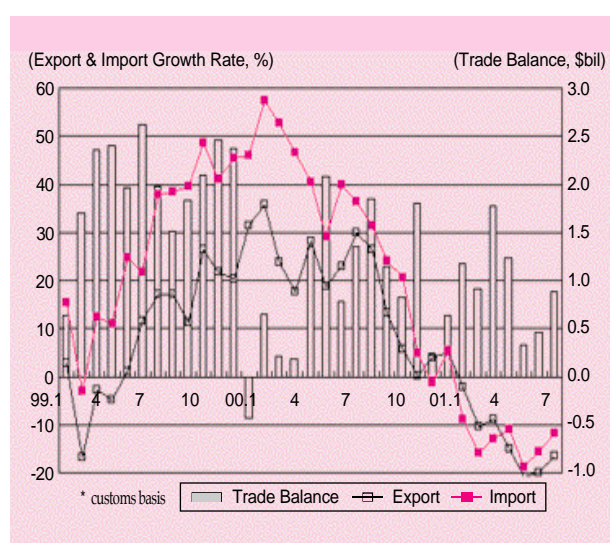


After the US terrorist attacks, market interest rates fell steeply due to anxious market participants buying bonds for safety. In addition, the terrorism increased the likelihood of a drawn-out world recession, which led central banks in various countries to cut their interest rates. The Bank of Korea also cut interest rates by 0.5% on September 19, which put additional downward pressure on market interest rates.

Domestic Interest Rates* (%)	2000				2001		9.19
	Q1	Q2	Q3	Q4	Q1	Q2	
Call Rate (overnight)	5.11	5.16	5.03	6.01	5.01	5.04	4.04
Yield on CP (91 days)	7.28	7.61	7.40	7.13	5.97	5.62	4.64
Yield on Corporate Bonds (3 years)	10.01	9.41	9.04	8.13	7.67	7.10	6.16

*End of period

Trade



In September, exports amounted to 12.62 billion dollars, which was a 16.6% decline y-o-y but a moderate fall compared to those of July (21.0%) and August (20.1%). Apparently, exports fell by less despite the recent terrorism in the US due to an increase in shipments near the end of the month. Meanwhile, imports amounted to 11.74 billion dollars, an 11.7% decrease y-o-y. Import of capital goods are expected to fall by 22%, and raw materials by 6%, while that of consumer goods rose moderately by around 10%. The trade surplus was 0.89 billion dollars, an increase from July (0.33 billion dollars) and August (0.46 billion dollars). The cumulative trade surplus until September was 7.63 billion, and the country ran a trade surplus every month since February 2000. Due to the increase in the trade surplus, the current account balance is expected to go into surplus from a 0.11 billion dollar deficit in August. Reduction in foreign travel since the terrorist attacks are expected to contribute to a current account surplus.

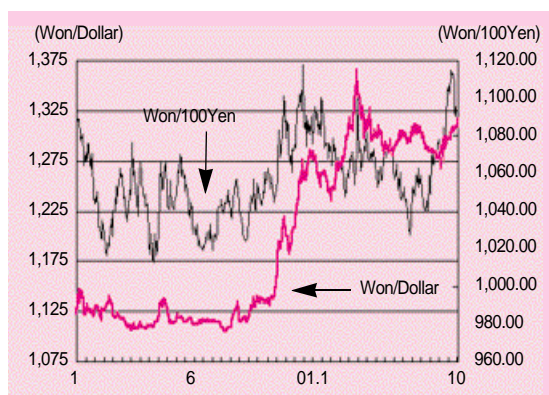
External Transaction (US\$ bil)	97	98	99	2000	2001			
					Q1	Q2	Jul	Aug
Export (FOB)	136.2	132.3	143.6	172.3	78.5	38.4	11.4	11.8
Imports (CIF)	144.6	93.3	119.8	160.5	72.5	34.5	11.1	11.7
Current Account	-8.2	40.4	24.5	11.0	6.7	3.7	0.4	-0.1
Goods	-3.2	41.6	28.4	16.6	8.6	5.1	0.9	0.7
Services	-3.2	1.0	-0.7	-4.0	-1.3	-0.8	-0.5	-0.8
Income	-2.5	-5.6	-5.2	-2.2	-0.5	-0.5	0.1	0.1
Current Transfer	0.7	3.3	1.9	0.6	0.0	-0.1	0.0	-0.2
FX Reserves*	8.9	48.5	74.1	96.2	94.4	94.3	97.1	99.0

*end of period

External Liabilities* (US\$ bil)	97	98	99	2000	2001		
					Q1	Q2	Jul
Long Term	95.7	118.0	97.8	92.1	87.5	85.9	86.3
Short Term	63.6	30.7	39.2	44.2	42.4	41.1	39.1
Total	159.3	148.7	137.0	136.3	129.8	127.0	125.4

*end of period

Exchange Rates

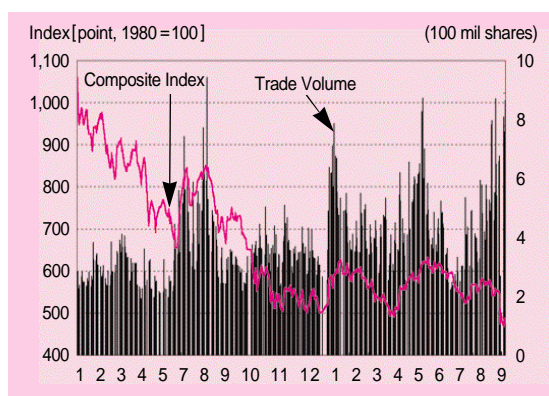


The won/dollar rate in the beginning of October rose to 1,310, reflecting steep rises in the offshore NDF markets during the Chusok holiday. A prominent factor was the purchase of dollars by Korean companies in light of the current account deficit in August and the possibility of war in the Middle East. Although the exchange rate is expected to continue its uptrend in the short term, it is expected to fall approaching the end of the year due to changing dollar supply. Although economic slowdown is currently a worldwide phenomenon, the end of 16 months of current account deficits is expected to impact the foreign exchange market temporarily.

Exchange Rates*	1999				2000				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	10.4
₩ / \$	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	1,309.0	1,313.0
¥ / \$	118.2	133.2	114.0	102.2	102.7	105.9	108.1	114.3	123.2	123.8	119.5	120.5

*end of period

Stock Market



The terrorist attacks on the US brought further instability to financial market around the world and more investors are fleeing from risky assets such as stocks. The Korean stock market saw its biggest drop ever on the day after the attacks. Although the domestic bourse is recovering thanks to unexpected stability in the US markets, a sustained uptrend is unlikely as the full repercussions of the incident have yet to emerge.

Stock Market*	2000				2001		9.19
	Q1	Q2	Q3	Q4	Q1	Q2	
Composite Stock Price Index (end)	860.94	821.22	613.22	504.62	523.22	595.13	486.75
Traded Volume (Avg, ten thousands)	12,155	45,908	34,279	23,968	41,438.4	22,298	77,840.2

*end of period