

LETTER FROM THE EDITOR

The Korean economy is in the middle of one of its deepest and longest recessions since the 1970s. Having entered a downturn in the second half of 2000, the real economy continues to contract in terms of investment, exports, and consumption. Although September's production, shipments, and sales figures all increased from the previous year, this was due to a Korean holiday falling in October instead of September rather than an economic recovery. Facility investment in September declined by 6.1%, posting an eleventh straight month of contraction. Meanwhile, recent surveys of the consumer sentiment index show that the depressed consumer expenditure will remain for the near future.

Beside the continued stagnation in the fundamental business cycle, the Korean economy is now facing a new challenge from the external side, with the U.S. and Japanese economies facing far lower growth than expected. The European economies are also in a slump. This is the first time since the 1970s oil shocks that one witnesses recessions in the three major parts of the world economy. In addition, the possibility of financial instability still lingers. At a time when the U.S. stock markets are barely holding up from the September terrorist attacks, the new threat of default in Argentina may be broadcast through the global financial market.

Against this backdrop, government policy measures such as keeping low interest rates or expanding public expenditure do not have far-reaching effects. With a troubled employment situation, consumer sentiment has been undermined by bleak income prospects. Moreover, there is a shortage of consumer liquidity, with current household debt at record levels. Meanwhile, the incomplete restructuring in the financial and corporate sectors prevent businessmen from raising money from outside creditors and therefore they are confined to only inside sources.

The Current Issues articles of this month's Millennium VIP Report examine some aspects of Korean economy in its microcosmic level. The first article features Hyundai Research Institute's survey of consumer sentiment for the third quarter. The survey examined consumers' views on their income, consumption, and future expectations, and found that consumer sentiment was low due to psychological factors arising from uncertainty rather than a fall in current purchasing power. The second article deals with a survey of venture companies' business cycle, performance, and contribution to the national economy. Fourth quarter prospects and bottlenecks to their management are presented in the article. The final article examines Korea's technology trade in leading industries. The article looks at several indicators of technology trade and the prospects for boosting technology levels and exports.

The editorial board hopes that by looking into these problems, the policy-makers can be able to better understand our economy in its details and to elaborate workable solutions to breakthrough current economic hardships. **VIP**