

\*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

In September, industrial production increased by 5.1% y-o-y, a recovery after three months of decline. Semiconductor production, which had declined sharply in the past few months, recorded an increase, and auto and food production also increased. However, computer production continued to fall by 26.9%. The average factory operation rate rose by 74.9%. Wholesale and retail sales also showed continued growth. Much of September's apparent growth in production and sales was due to a national holiday falling in October rather than September, increasing the number of business days compared to last year. Therefore, it would be a mistake to interpret the month's growth as a sign of economic recovery. In particular, facility investment, which has stagnated severely, fell by 6.1% y-o-y in September.

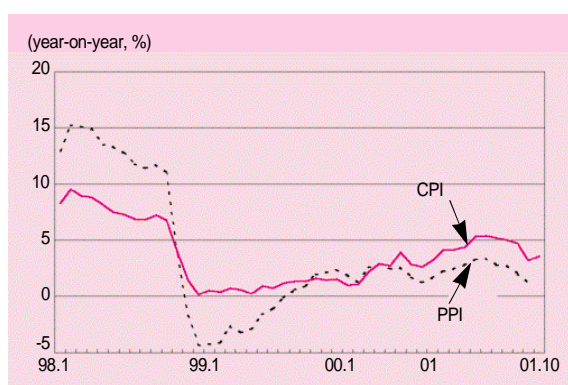
Industrial Indexes (y-o-y, %)	2000					2001			9
	Q1	Q2	Q3	Q4	Avg.	Q1	Q2	Q3	
Industrial Production Indexes	23.4	18.3	19.6	7.4	16.6	5.0	1.7	-1.8	5.1
Wholesale and Retail Trade Indexes	14.4	12.4	8.0	3.9	9.8	2.5	4.4	4.7	7.7
Domestic Machinery Orders Received	18.2	8.3	7.0	17.3	11.7	3.7	-2.8	-5.8	4.8
Domestic Construction Orders Received	75.9	20.4	7.9	-7.0	15.1	-25.3	1.7	17.0	63.7

## Employment

The number of unemployed in September fell by 68,000 from the previous month to 684 thousand, and the unemployment rate fell by 0.4% to 3.0% (the seasonally adjusted rate fell by 0.3% to 3.3%). The number of employed rose by 273 thousand to 21.797 million. With industrial production and construction on the uptrend, new hiring in these sectors increased. The increase in female hires outpaced that of males, which is seen as the result of the straitened economic situation compelling women to work rather than a social trend to greater female participation in the economy. By OECD standards, the unemployment rate fell 0.4% from the previous month to 3.2%.

	1999	2000	2001						
			Q1	Q2	Q3	6	7	8	9
Total Employed (thousand)	20,281	21,061	20,403	21,748	21,754	21,748	21,760	21,524	21,979
Unemployment Rate (%)	6.3	4.1	4.8	3.3	3.3	3.3	3.4	3.4	3.0
Total Number of Unemployed (thousand)	1,353	889	1,029	745	748	745	809	752	684

## Prices

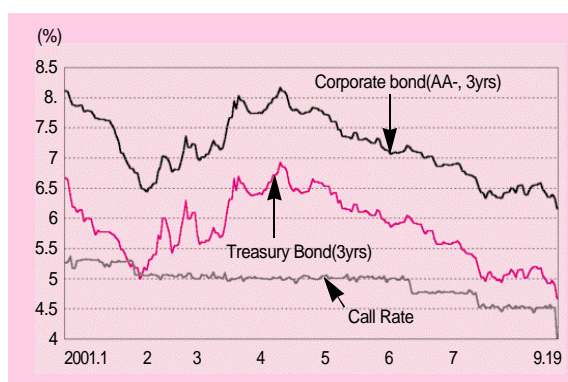


Consumer prices in October increased 0.1% from the previous month and 3.6% y-o-y. Seasonal factors (a national holiday) contributed to the relatively high y-o-y growth. Although prices for agricultural goods and especially vegetable produce fell from September, housing rents and services prices continued to rise. The rise in services prices caused the inflation rate to be higher in Seoul (where services account for a higher share of demand) than for other cities. World oil prices, which have a significant effect on price levels in the US, have been relatively stable, and this suggests that the relative price stability seen in the first half will continue for the rest of the year.

Prices*(%)	99	2000						2001					
		Q1	Q2	Q3	Q4	year	4	5	6	7	8	9	10
Consumer Prices (%)	0.8	1.5	1.4	3.2	2.9	2.3	5.3	5.4	5.2	5.0	4.7	3.2	3.6
Producer Prices (%)	-2.1	2.2	1.9	2.6	1.6	2.0	3.3	3.4	2.8	2.7	2.0	1.2	-

\*Percentage change over a year ago

## Interest Rates

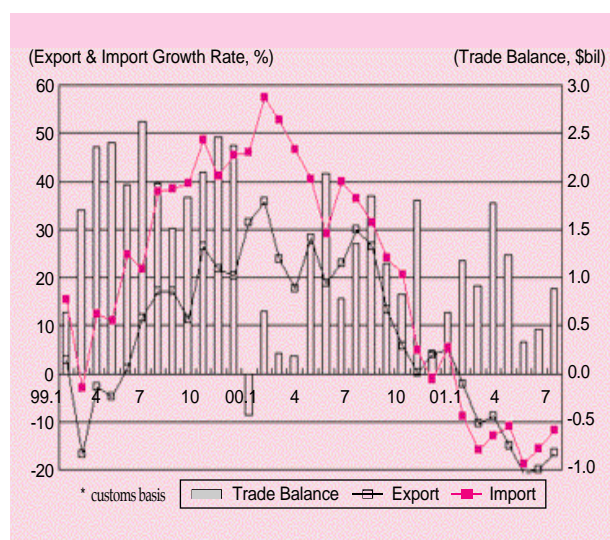


With jittery sentiment still dominating in the bond market, market interest rates continue to fluctuate, and daily fluctuations are increasing. Although some sign of a declining trend can be seen going into November, interest rates do not seem to have entered a broad declining trend. Although Korea will maintain a low-rate stance in light of the US and European policy cooperation to reduce rates, a sharp interest rate cut is unlikely due to shaken policy credibility after investor sentiment started to falter in early October.

Domestic Interest Rates* (%)	2000				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	11.5
Call Rate (overnight)	5.11	5.16	5.03	6.01	5.01	5.04	3.92	4.02
Yield on CP (91 days)	7.28	7.61	7.40	7.13	5.97	5.62	4.62	4.54
Yield on Corporate Bonds (3 years)	10.01	9.41	9.04	8.13	7.67	7.10	5.95	6.49

\*End of period

## Trade



In September, exports amounted to 12.57 billion dollars, which was a 17.0% decline y-o-y but a moderate fall compared to those of July (21.0%) and August (20.3%). 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 11.70 billion dollars, an 12.0% decrease y-o-y. Import of capital goods are expected to fall by 22.3%, and raw materials by 7.2%, while that of consumer goods rose moderately by around 6.2%. The trade surplus was 0.87 billion dollars, an increase from July (0.33 billion dollars) and August (0.46 billion dollars). The cumulative trade surplus until September was 7.61 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.

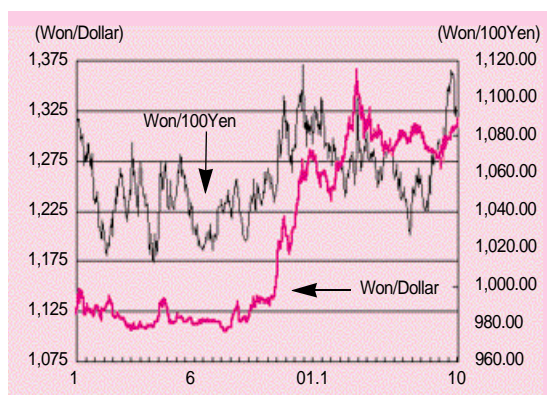
External Transaction (US\$ bil)	97	98	99	2000	2001			
					Q1	Q2	Aug	Sep
Export (FOB)	136.2	132.3	143.6	172.3	78.5	38.4	11.8	12.6
Imports (CIF)	144.6	93.3	119.8	160.5	72.5	34.5	11.7	11.7
Current Account	-8.2	40.4	24.5	11.0	6.7	3.7	-0.1	0.8
Goods	-3.2	41.6	28.4	16.6	8.6	5.1	0.7	1.6
Services	-3.2	1.0	-0.7	-4.0	-1.3	-0.8	-0.8	-0.3
Income	-2.5	-5.6	-5.2	-2.2	-0.5	-0.5	0.1	-0.3
Current Transfer	0.7	3.3	1.9	0.6	0.0	-0.1	-0.2	-0.1
FX Reserves*	8.9	48.5	74.1	96.2	94.4	94.3	99.0	100.0

\*end of period

External Liabilities* (US\$ bil)	97	98	99	2000	2001			
					Q1	Q2	Jul	Aug
Long Term	95.7	118.0	97.8	92.1	87.5	85.9	86.3	86.6
Short Term	63.6	30.7	39.2	44.2	42.4	41.1	39.1	39.6
Total	159.3	148.7	137.0	136.3	129.8	127.0	125.4	126.2

\*end of period

## Exchange Rates

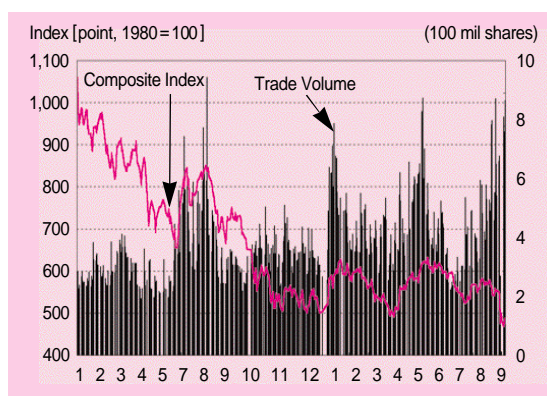


Without any special reason for exchange rates to shift in the domestic foreign currency market, the won/dollar rate is fluctuating mildly at around 1,295, while movement of the yen/dollar rate is more pronounced due to prospects for the US economy. With third quarter GDP growth, unemployment, and consumer confidence in the US suggesting further stagnation, the yen/dollar rate showed a declining trend, falling to 121.

Exchange Rates*	1999				2000				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	11.5
₩ / \$	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	1,297.50
¥ / \$	118.2	133.2	114.0	102.2	102.7	105.9	108.1	114.3	123.2	123.8	119.5	121.66

\*end of period

## Stock Market



In contrast to the fluctuating bond market, the domestic stock market is on a stable upward trend. In November, the stock price index exceeded the 560 level, and if the recent US rate cut encourages foreign investors to continue their buying, a surge to 570 may very well occur. Despite stagnant fundamentals, the uptrend seems to be the result of anxiety in other markets such as the bond market, and recent hopes for the stock market to benefit from interest rate cuts.

Stock Market*	2000				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	11.5
Composite Stock Price Index (end)	860.94	821.22	613.22	504.62	523.22	595.13	479.68	561.62
Traded Volume (Avg, ten thousands)	12,155	45,908	34,279	23,968	41,438.4	22,298	42,038	41,196

\*end of period