

\*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 estimated to have slowed down with a GDP growth rate just over 2.5% in 2001, and per capita GNI may decrease to \$8,500 in light of September's terrorist attacks in the US.

	1997	1998	1999	2000	2001.Q1	2001.Q2	2001.Q3	2001(E)	2002(E)
GDP Growth Rate (%)	5.0	-6.7	10.7	8.8	3.7	2.7	1.8	2.5	4.2
Nominal GDP (US\$ bil)	476.6	317.7	405.8	457.4	-	-	-	421.9	430.0
GNI per capita (US\$)	10,307.0	6,723.0	8,551.0	9,628.0	-	-	-	8,500	9,250
Gross Saving Rate	33.4	33.9	32.9	32.3	29.0	-	-	-	-

## Industry

In January, figures for industrial activity, including production, shipments, operation rates, consumption, and investment, improved from the previous year. In addition to the expectations for an overall economic recovery, a significant reason for the improvement was that the Lunar New Year Holiday, which fell on January last year, was held in February this year. Production rose by 10.2% y-o-y, while shipments rose 13.6%. Wholesale and retail sales maintained a high increase rate and rose 7.3%. The growth rate of domestic machinery orders went into the positive, and construction investment maintained strong growth.

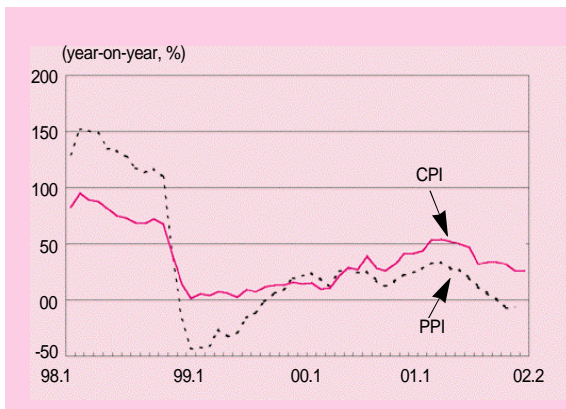
Industrial Indexes (y-o-y, %)	2000					2001					2002
	Q1	Q2	Q3	Q4	Avg.	Q1	Q2	Q3	Q4	Avg.	1
Industrial Production Indexes	23.4	18.3	19.6	7.4	16.6	5.0	1.7	-1.8	2.3	1.8	10.2
Wholesale and Retail Trade Indexes	14.4	12.4	8.0	3.9	9.8	2.5	4.4	4.7	6.3	4.6	7.3
Domestic Machinery Orders Received	18.2	8.3	7.0	17.3	11.7	3.7	-2.8	-5.8	-7.1	-1.0	27.9
Domestic Construction Orders Received	75.9	20.4	7.9	-7.0	15.1	-25.3	1.7	17.0	60.1	14.4	39.5

## Employment

The number of unemployed in January rose by 57,000 from December but fell by 163 thousand y-o-y. The unemployment rate was 3.7%, a 0.3% increase from December, (the seasonally adjusted rate fell from December by 0.1% to 3.2%). The unemployment rate for young adults in their twenties and thirties rose significantly, and the number of newly-hired in manufacturing and construction industries fell steeply. The number of persons willing and able to work but who have given up their job search rose by 6,000 from December to 89,000, and the unemployment rate by OECD standards rose by 0.4% to 4.1%.

	1999	2001							2002	
		Q1	Q2	Q3	Q4	10	11	12	year	1
Total Employed (thousand)	21,261	20,403	21,748	21,754	21,673	21,863	21,810	21,347	21,362	21,025
Unemployment Rate (%)	4.1	4.8	3.3	3.3	3.2	3.1	3.2	3.4	3.7	3.7
Total Number of Unemployed (thousand)	889	1,029	745	748	725	699	714	762	819	819

## Prices

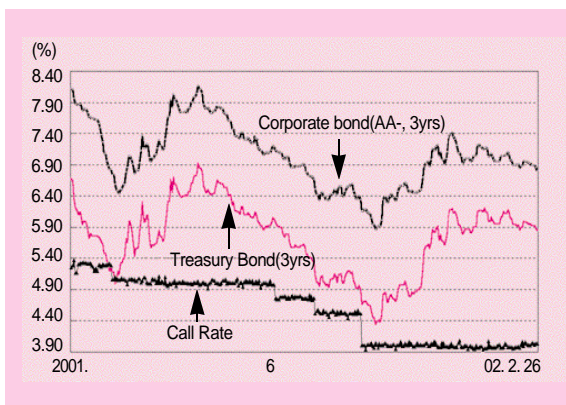


Consumer prices in February rose by 0.5% from December (2.82% y-o-y) due to a large price rise in prices for agricultural goods with holiday demand, as well as a rise in housing rent and private services prices. The price level of public services was stable thanks to a reduction in mobile phone fees and city gas fees. Living necessities prices rose 0.5% from December and 2.4% y-o-y, maintaining a stable trend. Although there are some inflationary factors this year such as two elections, the World Cup, and an expected economic recovery, there are less supply side inflationary pressures than seen in 2001, and the inflation rate for 2002 is forecast to be similar last year's level.

Prices*(%)	2000	2001						2002	
		8	9	10	11	12	year	1	2
Consumer Prices (%)	2.3	4.7	3.3	3.4	3.4	3.2	4.1	2.6	2.6
Producer Prices (%)	2.0	2.0	1.2	0.6	0.1	-0.7	1.9	-0.6	-

\*Percentage change over a year ago

## Interest Rates

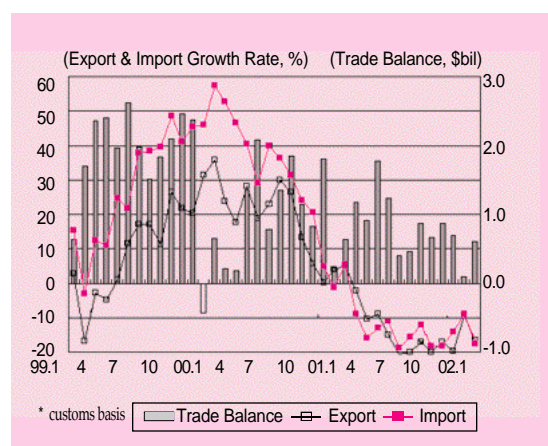


Although the domestic economy has started to show clear signs of recovery, the monetary authority's stabilizing and elastic monetary policy has caused bond yields to decline. Not only has the volume of treasury bond issues in February plummeted from January, but the funds that were released from the market during the Lunar New Year Holiday are expected to gradually be absorbed, and the trend of bond sales is expected to continue due to ample liquidity.

Domestic Interest Rates* (%)	2000				2001				2002	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	1	2.26
Call Rate (overnight)	5.11	5.16	5.03	6.01	6.01	5.01	3.97	4.01	3.98	4.03
Yield on CP (91 days)	7.28	7.61	7.40	7.13	5.97	5.62	4.62	5.01	4.74	4.57
Yield on Corporate Bonds (3 years)	10.01	9.41	9.04	8.13	7.67	7.10	5.95	7.04	6.97	6.81

\*End of period

## Trade



Exports in February recorded 11.14 billion dollars, a 16.6% decrease y-o-y, January's exports decreased by only a single digit because the Lunar New Year holiday fell in February, which increased the number of working days in January. Although global prices for products such as IT and petrochemical equipment are recovering, Korea's main exports still face excess supply in the world markets, making it unlikely that exports will recover in the short term. February's imports recorded 10.49 billion dollars, a 17.6% decrease y-o-y. The greater decrease rate in February was due to a reduction in raw materials prices. In particular, world oil prices stabilized, which reduced the cost of crude oil imports. February's trade balance recorded a surplus of 0.65 billion dollars, the 25th consecutive month of surplus since February 2000.

Although an export recovery may emerge with the expected upturn in the world economy beginning in the second quarter, the rate of recovery is expected to be modest due to excess supply in key export sectors.

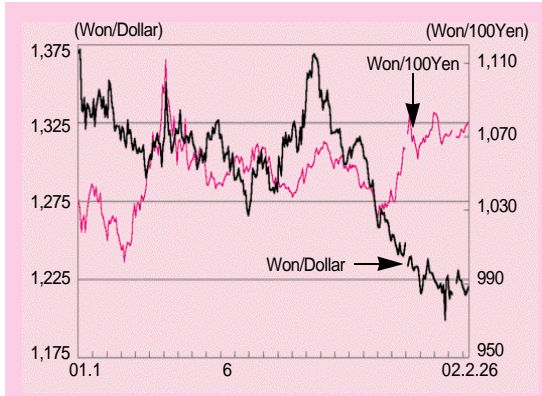
External Transaction(US \$ bil)	98	99	2000				year	2001	
			Q1	Q2	Q3	Q4		1	2
Export(FOB)	132.3	143.6	40.1	38.3	35.6	36.5	150.5	11.4	11.1
Import(CIF)	93.3	119.8	38.1	34.4	34.1	34.4	141.1	11.3	10.5
Current Account	40.41	24.5	2.7	3.8	1.0	1.1	8.6	-	-
Goods	41.6	28.4	3.2	5.0	2.9	2.2	13.4	-	-
Services	1.0	-0.7	-0.2	-0.6	-1.4	-1.2	-3.5	-	-
Income	-5.6	-5.2	-0.4	-0.5	-0.1	0.1	-0.9	-	-
Current Transfer	3.3	1.9	0.1	-0.1	-0.3	0.0	-0.4	-	-
FX Reserves*	48.5	74.1	94.5	94.3	100.1	102.8	102.8	104.3	-

\*end of period

External Liabilities* (US\$ bil)	98	99	2000	2001			
				Q1	Q2	Q3	Q4
Long Term	118.0	97.8	83.7	80.3	78.4	78.1	81.0
Short Term	30.7	39.2	47.9	45.4	44.1	42.6	38.9
Total	148.7	137.0	131.6	125.7	122.5	120.7	119.9

\*end of period

## Exchange Rates

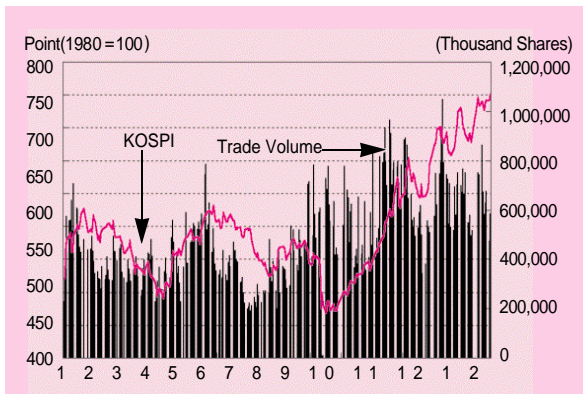


Rather than basic economic variables, supply and demand in the foreign currency market were the main factor in exchange rate fluctuations. With foreigners on a stock selling trend for over a week, the demand for dollars exceeded the supply provided by export companies. As a result, the won/dollar rate is showing a small but steady rise. However, if foreign stock buying increases due to a recovery in the domestic recovery and a stock price rise, the won/dollar rate is expected to see a downward adjustment.

Exchange Rates*	1999				2000				2001				2002	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	1	2.26
₩ / \$	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	1,319.7	1,309.0	1,312.9	1,314.4	1,325.4
¥ / \$	118.2	133.2	114.0	102.2	102.7	105.9	108.1	114.3	123.16	123.8	119.53	131.64	134.59	134.55

\*end of period

## Stock Market



The stock price index, which had been fluctuating at around 750, exceeded 800 due to program buying by domestic institutional investors. This was not only the result of supply and demand conditions in the stock market, but also because expectations for an economic recovery, such as better than forecast industrial performance in January, were reflected in stock prices. Based on this economic recovery, if foreign investors begin another buying trend, the stock price index is expected to show stable movement at around the 800 level.

Stock Market*	2000				2001				2002	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	1	2.26
Composite Stock Price Index (end)	860.94	821.22	613.22	504.62	523.22	595.13	479.68	693.7	748.07	801.14
Traded Volume (Avg, ten thousands)	12,155	45,908	34,279	23,968	41,438.	22,298	42,030	50,969	66,386	58,625

\*end of period