

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

The Economy

In 2001, Korea's GDP growth rate recorded 3.0%, and this year the economy is expected to show a recovery led by consumption and construction investment. However, the trade surplus is expected to decline this year, lowering the contribution of exports to growth, and facility investment is not expected to rise significantly. As a result, the GDP growth rate in 2002 is expected to be limited to about 6.2%, and per capita GNI is forecast at approximately \$9,350.

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002(E) |
|------------------------|----------|---------|---------|---------|---------|---------|
| GDP Growth Rate (%) | 5.0 | -6.7 | 10.9 | 9.3 | 3.0 | 6.2 |
| Nominal GDP (US\$ bil) | 476.6 | 317.7 | 405.8 | 461.7 | 422.2 | 477.3 |
| GNI per capita (US\$) | 10,307.0 | 6,723.0 | 8,551.0 | 9,770.0 | 8,900.0 | 9,350.0 |
| Gross Saving Rate | 33.4 | 33.9 | 32.9 | 32.4 | 29.9 | - |

Industry

Industrial production in April increased 7.3% y-o-y due to factors such as increased auto and semiconductor production. Wholesale and retail sales maintained their uptrend, increasing by 7.7% y-o-y. Facility investment increased by 2.1% y-o-y, while construction orders recorded a 31.3% increase due to a rise in orders for apartments and offices from the private sector. The average facility utilization rate was 77.6%, a slight decline from the previous month, while inventory declined by 10.2% y-o-y.

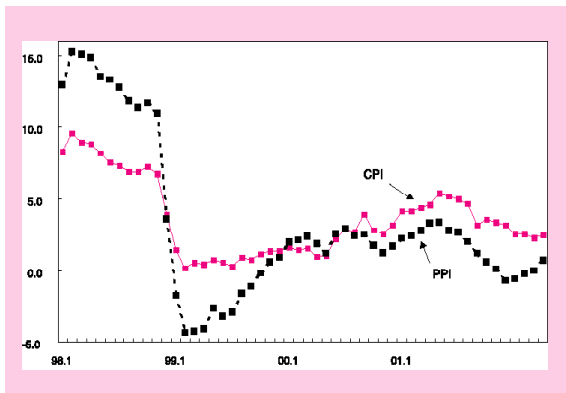
| Industrial Indexes (y-o-y, %) | 2000 | 2001 | | | | | 2002 | | |
|---------------------------------------|------|-------|------|------|------|------|------|------|------|
| | | Q1 | Q2 | Q3 | Q4 | Avg. | Q1 | 3 | 4 |
| Industrial Production Indexes | 16.8 | 5.0 | 1.7 | -1.8 | 2.3 | 1.8 | 3.9 | 4.4 | 7.3 |
| Wholesale and Retail Trade Indexes | 9.8 | 2.5 | 4.4 | 4.9 | 6.5 | 4.6 | 8.0 | 8.3 | 7.7 |
| Domestic Machinery Orders Received | 11.7 | 3.7 | -2.8 | -5.7 | -7.1 | -1.0 | 33.3 | 48.8 | 21.9 |
| Domestic Construction Orders Received | 15.1 | -25.3 | 1.7 | 17.0 | 60.1 | 14.4 | 85.6 | 68.6 | 31.3 |

Employment

The number of unemployed in April fell by 62,000 from March and fell by 141,000 y-o-y. The unemployment rate was 3.1%, a decrease from March, (the seasonally adjusted rate rose from March by 0.2% to 3.1%). Compared to the previous month, the number of unemployed and the unemployment rate fell for all age groups, with the former and latter seeing the greatest declines for people in their twenties and teens respectively. The number of new employees rose by 537,000 from March due to an increase in seasonal jobs such as construction work. The number of persons willing and able to work but who have given up their job search fell by 16,000 from March to 73,000, and the unemployment rate by OECD standards fell by 0.4% to 3.3%.

| | 2001 | | | | | | 2002 | | | | |
|---------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Q1 | Q2 | Q3 | Q4 | 12 | year | Q1 | 1 | 2 | 3 | 4 |
| Total Employed (thousand) | 20,403 | 21,748 | 21,754 | 21,673 | 21,347 | 21,362 | 21,216 | 21,025 | 22,563 | 21,523 | 22,060 |
| Unemployment Rate (%) | 4.8 | 3.3 | 3.2 | 3.2 | 3.4 | 3.7 | 3.6 | 3.7 | 3.7 | 3.4 | 3.1 |
| Total Number of Unemployed (thousand) | 1,029 | 745 | 748 | 725 | 762 | 819 | 769 | 819 | 770 | 769 | 707 |

Prices

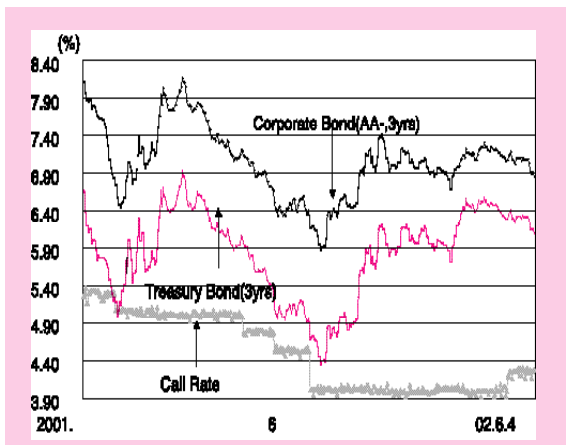


In May, prices for public services fell, but prices for agricultural and fishery products, as well as private services and housing rents, increased, causing consumer prices to rise by 0.4% from April (3.0% y-o-y). While living necessities prices fell by 0.6% from April, they rose by 3.1% y-o-y, slightly higher than the rise in consumer prices. Although some inflationary pressures exist in both domestic demand and external supply, the inflation rate for this year is expected to be slightly below that of 2001.

| Prices*(%) | 2000 | 2001 | | | | 2002 | | | | |
|---------------------|------|------|-----|------|------|------|------|-----|-----|-----|
| | | 10 | 11 | 12 | year | 1 | 2 | 3 | 4 | 5 |
| Consumer Prices (%) | 2.3 | 3.4 | 3.4 | 3.2 | 4.1 | 2.6 | 2.6 | 2.3 | 2.5 | 3.0 |
| Producer Prices (%) | 2.0 | 0.6 | 0.1 | -0.7 | 1.9 | -0.6 | -0.2 | 0.0 | 1.0 | 1.5 |

* Percentage change over a year ago

Interest Rates

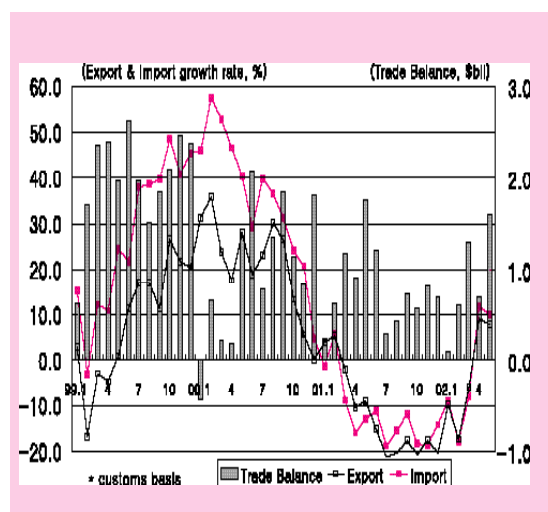


Despite concerns of economic overheating, interest rates showed a slight decline due to net selling of bonds resulting from the stagnant stock market. Although the first quarter's real GDP growth rate attained the potential rate of 5.6% and indicators of industrial activity improved, bond buying sentiment faltered due to factors such as lower expected inflation due to stabilized oil prices and a rising won, as well as stock market stagnation and lower US bond yields. In addition, corporate bond issues have been limited due to a contraction in facility investment, while plans to issue national bonds have also been reduced, leading to a fall in interest rates. As there is little doubt that the economy will recover, interest rates are expected to rebound eventually.

| Domestic Interest Rates* (%) | 2000 | | | | 2001 | | | | 2002 | |
|------------------------------------|-------|------|------|------|------|------|------|------|------|------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | 6.4 |
| Call Rate (overnight) | 5.11 | 5.16 | 5.03 | 6.01 | 5.01 | 5.04 | 3.97 | 4.01 | 4.04 | 4.27 |
| Yield on CP (91 days) | 7.28 | 7.61 | 7.40 | 7.13 | 5.97 | 5.62 | 4.62 | 5.01 | 4.98 | 4.93 |
| Yield on Corporate Bonds (3 years) | 10.01 | 9.41 | 9.04 | 8.13 | 7.67 | 7.10 | 5.95 | 7.04 | 7.07 | 6.85 |

*End of period

Trade



Exports in May recorded 14.34 billion dollars, a 7.8% increase y-o-y. The export increase was not as high as April's level (9.2%) due to continued price declines for some major exports such as semiconductors. Export growth rates in the future may be limited by factors such as the rising won and lower export prices. Imports in May recorded 12.72 billion dollars, a 10.1% increase y-o-y. Due to factors such as a recovery in consumer sentiment and increased facility investment, imports continued April's two-digit growth rate. The trade surplus in May recorded 1.62 billion dollars, the 28th consecutive month of surplus since February 2000. The trade surplus in future months is expected to gradually narrow due to steady import growth, and the trade surplus for the year is forecast at around 8 billion dollars.

| External Transaction(US \$ bil) | 98 | 99 | 2000 | 2001 | 2002 | | |
|---------------------------------|-------|-------|-------|-------|-------|-------|-------|
| | | | | | Q1 | APR | MAY |
| Export(FOB) | 132.3 | 143.6 | 172.3 | 150.4 | 35.7 | 13.2 | 14.3 |
| Import(CIF) | 93.3 | 119.8 | 160.5 | 141.1 | 33.7 | 12.5 | 12.7 |
| Current Account | 40.4 | 24.5 | 12.2 | 8.6 | 1.7 | 0 | - |
| Goods | 41.6 | 28.4 | 16.9 | 13.4 | 3.2 | 1.2 | - |
| Services | 1.0 | -0.7 | -2.9 | -3.5 | -1.4 | -0.3 | - |
| Income | -5.6 | -5.2 | -2.4 | -0.9 | 0 | -0.7 | - |
| Current Transfer | 3.3 | 1.9 | 0.7 | -0.4 | -0.1 | -0.1 | - |
| FX Reserves* | 48.5 | 74.1 | 96.2 | 102.8 | 106.1 | 107.7 | 109.6 |

*end of period

| External Liabilities* (US\$ bil) | 98 | 99 | 2000 | 2001 | 2002 | | |
|----------------------------------|-------|-------|-------|-------|-------|-------|-------|
| | | | | | JAN | FEB | MAR |
| Long Term | 118.0 | 97.8 | 83.7 | 78.5 | 80.0 | 78.9 | 78.3 |
| Short Term | 30.7 | 39.2 | 47.9 | 39.1 | 39.7 | 40.0 | 41.2 |
| Total | 148.7 | 137.1 | 131.7 | 117.7 | 119.7 | 118.9 | 119.5 |

*end of period

Exchange Rates

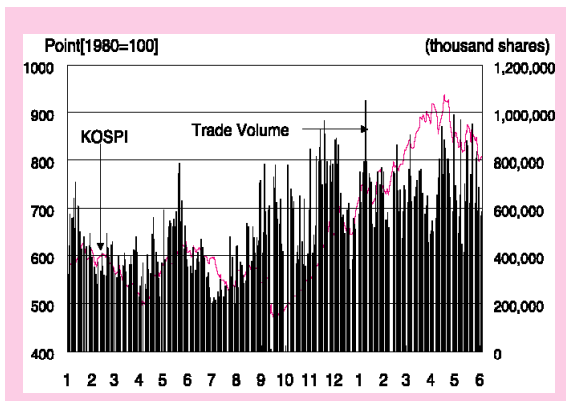


Despite some positive US economic indicators, the dollar is undergoing a downward adjustment due to the possibility of a worsened US trade balance and a “double dip” in the US economy, as well as the Japanese economy’s unexpected improvement. Compared to early April, the dollar/yen rate fell by more than 6%. While the yen’s rise is being moderated by the Bank of Japan’s intervention, the Korean economy’s strong recovery is causing the won/100 yen rate to fall below the 1000 level. The yen/dollar rate is expected to fluctuate between 123-124, while the won/dollar rate may fall to the 1,210 level by mid June and gradually recover to around 1,250-1,350.

| Exchange Rates* | 1999 | | | | 2000 | | | | 2001 | | | | 2002 |
|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 |
| ₩ / \$ | 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 | 1,325.9 |
| ¥ / \$ | 118.2 | 133.2 | 114.0 | 102.2 | 102.7 | 105.9 | 108.1 | 114.3 | 123.2 | 123.8 | 119.5 | 120.5 | 132.8 |

*end of period

Stock Market



While real GDP growth and industrial production have improved, the rising won and stagnant US stock market are increasing uncertainty and dampening investor sentiment. In addition, the stock market is being affected by fluctuations in the futures market ahead of “triple witching day” on June 12, and as a result, stock prices are falling with an expanded selling trend. However, with the Korean team’s first win in the World Cup, expectations of a “World Cup effect” are moderating the recent downtrend. Although uncertainty in the US economy has not completely been resolved, domestic stock prices are expected to rise in coming months due to the recovery in exports and the positive effect of the World Cup.

| Stock Market* | 2000 | | | | 2001 | | | | 2002 | |
|------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | 6.4 |
| Composite Stock Price Index (end) | 860.94 | 821.22 | 613.22 | 504.62 | 523.22 | 595.13 | 479.68 | 693.70 | 895.58 | 806.33 |
| Traded Volume (Avg, ten thousands) | 12,155 | 45,908 | 34,279 | 23,968 | 41,438 | 22,298 | 42,029 | 50,969 | 45,492 | 58,433 |

*end of period