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Recent Developments & Outlook

Overview

Recent Developments

The current economic expansion cycle, which began in January 1993, was somewhat stunted in the first quarter of this year. The third quarter is likely to see 8 percent growth on a year-to-year basis, making it possible that this year's economic growth will be sustained at around 9 percent.

During the third quarter, exports continued to grow, but facility investments declined, and growth in demand for summer goods decreased. Furthermore, the collapse of the Sampoong Department Store building and damages caused by flood dampened people's consumptive propensity.

The third quarter saw commodity prices generally

stabilized, despite damages caused by flood and seasonal increase in demand for consumer goods with the observance of the traditional Chusok (Moon Festival) holidays, thanks chiefly to stabilized prices of imported raw materials and salables.

In July, the leading composite index decreased 0.5 percent for the first time since January 1993. The cycle of coincident composite index also dipped 0.2 percent in July to 99.7 - down for the second consecutive month. These factors indicate a possible setback in economic growth in the near future. It is too premature to conclude, however, that a business setback is on the way inasmuch as the slight drop in the leading index was caused by an abrupt and sharp decrease in building construction permits, while a slight setback in the coincidence index resulted from a decrease in the manufacturing operation ratio index

Recent Business Trends

(Unit : % of month-to-month change)

	1994			1995				
	Dec.	Jan.	Feb.	Mar.	Apr.	May.	June	July
Leading Composite index	1.1	0.7	0.4	0.9	1.2	0.3	0.1	-0.5
Coincident Composite Index	0.9	1.3	0.1	0.6	0.1	0.9	0.1	0.4
Cycle of Coincident Composite Index	99.9	100.7	100.3	100.3	100.0	100.3	99.9	99.7

Source : National Statistical Office

due to expanded production capacity.

- Exports, which began picking up in the first quarter influenced by a strong yen, marked a 35 percent growth in the second quarter, although the yen turned weak. It is probable that the high-export growth rate will be sustained for the time being in view of the fact that the rate of increase in the arrival of export L/Cs kept pace with the growth rate in exports in the second quarter.
- The manufacturing operation ratio has declined since its peak in January (85 percent). Industrial production also waned from a peak in February (19.5 percent). Thus, it appears that the production facility investment growth rate, too, will decline from the 25.2 percent peak set in the first quarter. In fact, the Bank of Korea notes that the second quarter is likely to witness a 19 percent growth in facility investment. In the absence of marked increases in the imports of capital goods and in the issuance of import licenses for capital goods, it will not be far from a fact to say that the current facility investment circle has entered a contracting phase.
- The growth rate in private consumption somewhat moved upward in the first quarter, but the second quarter is likely to witness no marked increase in the growth rate of private consumption. A survey of household economies in cities shows that, despite rapid improvement in household income, marginal consumption propensity lags behind average consumption propensity - a fact that offers testimony that the consumption growth pattern that follows good business has yet to be realized. Growth in shipment of consumer goods in July and August remains stunted since February of this year.
- During the first half of this year, the consumer

price index rose but 3.5 percent in August from August 1994, more or less stabilized since April, which witnessed a 5.1 percent increase. The producer price index rose but 6.6 percent in the months of July and August from the same months of 1994 and remains generally stabilized since May (6.2 percent). Such trends have been attributed to stabilized prices of agricultural products, increased productivity in the manufacturing sector, reduction in prices at many supermarkets under the slogan of bulk sales at low prices, as well as depreciation of the won that helped offset an inflationary factor in the overseas sector.

Outlook for the 4th Quarter, 1995 & 1996

The Korean economy, which attained a 9.5 percent growth rate in the first half of this year, is likely to achieve an 8.3 percent growth rate in the second half of this year, so as to achieve an annual growth rate of 9.0 percent, the highest since 1991.

- The private consumption sector saw a stunted growth rate in the third quarter but is expected to maintain slow but steady growth in the last quarter of this year to outpace this year's overall economic growth rate.
- The facility investment sector is likely to witness a somewhat decreased growth rate in the last quarter of this year in the wake of sharp growth thus far this year that prompted the government to discourage excessive investment. Other factors contributing to this trend are the weakened yen and signs indicating the current economic cycle has peaked.
- The construction investment sector is expected to achieve a relatively low growth rate of 7.7 percent in the last quarter, influenced by an increasing number

Recent Developments & Outlook

Outlook for 4th quarter, 1995 & 1996

(Unit : % of year-to-year change)

	1993		1994			1995					1996	
	Year	1/4	2/4	3/4	4/4	Year	1/4	2/4	3/4	4/4	Year	Year
GDP	5.8	8.9	7.6	7.6	9.3	8.4	9.9	9.6	8.7	8.0	9.0	7.5
Manufacturing	5.0	9.9	10.2	8.8	12.4	10.4	12.9	11.1	10.5	9.3	10.9	8.6
Total consumption expenditure	5.3	6.2	7.1	7.2	7.3	7.0	7.9	7.5	7.4	8.0	7.7	7.4
Private consumption	5.7	6.8	7.5	7.5	7.8	7.4	8.7	8.1	7.8	8.2	8.2	7.9
Total fixed capital	5.2	13.1	7.7	10.8	15.3	11.7	15.6	12.7	10.9	9.8	12.0	8.5
Facility investment	-0.1	20.9	16.8	24.3	30.6	23.3	25.2	19.0	15.9	13.5	18.0	9.4
Construction investment	8.9	7.6	2.2	2.8	6.3	4.6	8.0	8.3	7.4	7.1	7.7	7.8
Producer prices	1.5	2.5	1.8	2.8	3.7	2.7	3.3	5.9	5.0	4.6	4.7	3.1
Consumer prices	4.8	6.5	5.8	6.9	5.8	6.2	4.6	4.8	3.9	4.9	4.6	4.9
Current account balance	3.8	-21.3	-4.4	-16.9	-2.6	-45.3	-32.7	-26.7	-16.2	-7.5	-83.1	-66.7
Trade balance	18.6	-14.8	-1.6	-12.6	-2.5	-31.5	-24.8	-17.3	-12.5	-2.1	-56.8	-40.1
Exports	809.5	198.1	232.8	230.6	275.3	936.8	261.4	314.1	315.6	350.3	1241.4	1412.8
Growth (%)	7.7	7.3	16.1	13.1	25.0	15.7	32.0	34.9	36.9	27.2	32.5	13.8
Imports	790.9	212.8	234.5	243.1	277.8	968.2	286.2	331.4	328.2	352.4	1298.2	1452.9
Growth (%)	2.3	13.1	15.9	24.1	35.9	22.4	34.5	41.3	35.0	26.9	34.1	11.9
Invisible trade balance	-19.7	-8.0	-3.5	-6.1	-2.3	-19.9	-9.4	-7.0	-5.2	-7.0	-28.6	-33.3
Exchange rate (won/\$, end of)	808.1	806.5	805.5	798.9	788.7	788.7	771.5	758.0	773.0	766.0	766.0	750.0

Sources : The Bank of Korea, National Statistical Office for 4th quarter and thereafter, figures are our estimates

Notes : Price index figures represent year-to-year change (%) based on a quarterly average.

In case of current account balance, the figure unit is 100 million dollars.

- of unsold apartment units and lagging inducement of private capital in major social overhead capital projects.
- Export and import growth rates in the second half of the year are likely to be stunted from the first half which witnessed sharp growth rates. Exports, however, are expected to mark over 30 percent growth in the third quarter, while growth in imports will also be sustained at around 30 percent. It is our estimate that this year's trade and current account deficits are likely to increase further to US\$5.7 billion and US\$8.3 billion, respectively.

- The consumer price index this year may increase less than the 5.6 percent registered last year thanks to stabilized prices in agricultural goods. Influenced by increased import prices of raw materials, however, the producer price index is likely to increase 4.7 percent this year vs. the 3.9 percent growth rate marked last year (at year end).

In 1996 the Korean economy is likely to grow 7.5 percent, approximately. This is based on the assumptions that :

- economic growth will gradually level off toward

achieving a "soft landing".

- it will be possible to maintain two-digit growth in exports thanks to the recovery of the world economy in general that will more than offset impact of the weak yen on Korea's exports.
- facility investment growth rate is likely to level off to the annual growth rate of the economy.
- private consumption is expected to grow by around 8 percent.

Private Consumption

Recent Developments

Private consumption in the second quarter increased 8.1 percent from the second quarter of 1994 - 0.6 of a percentage point less than the 8.7 percent growth registered in the first quarter of this year, due chiefly to decreased purchase of durable consumer goods.

It can be said, however, that this does not mean an end to the current private consumption boom, given the fact that 7.5 percent growth marked in the second quarter of last year represented an increase of 0.7 of a

percentage point over the 6.8 percent growth registered in the first quarter of last year and that demand for semi-durable consumer goods and services continued to grow in the second quarter of this year.

The growth rate of private consumption in the third quarter is likely to decline from the second quarter to 7.8 percent, due chiefly to changes in social environment induced by the Sampoong Department store building's collapse and damages wrought by floods as well as seasonal factors.

- These factors for stunted consumption expenditures were relatively moderate summer weather that reduced demand for summer goods and an early advent this year of Chusok (Fall Moon Festival) based on the lunar calendar this year (September 9). Thus, wholesale and retail sales increased 7.5 percent in July. Furthermore, shipment of consumer goods rose a mere 1.9 percent in July. These lead to the assumption that consumption demand will be stunted in the third quarter.

Private Consumption & Household consumption trends

(Unit : % of year-to-year change)

	1993		1994			1995		
	Year	1/4	2/4	3/4	4/4	Year	1/4	2/4
Private consumption	5.7	6.8	7.5	7.5	7.8	7.4	8.7	8.1
Household consumption	5.8	6.8	7.6	7.6	7.9	7.5	8.8	8.2
Durable consumer goods	8.6	10.0	11.9	10.9	13.9	11.7	15.7	9.3
Semi-durable consumer goods	3.7	4.6	5.5	5.8	8.2	6.1	10.0	9.9
Non-durable consumer goods	4.5	4.8	5.1	5.8	4.8	5.1	6.4	7.1
Services	6.6	8.0	7.8	8.7	9.1	8.4	8.5	9.1

Source : The Bank of Korea

Recent Developments & Outlook

Consumption-Related Indexes

(Unit : % of year-to-year change)

	1993			1994		1995			
	Year	1/4	2/4	3/4	4/4	Year	1/4	2/4	July
Retail and wholesale	8.5	7.1	8.2	8.1	8.3	8.0	8.0	8.0	7.5
Wholesale	10.6	9.2	10.4	10.6	8.9	9.8	8.2	7.0	7.6
Retail	6.4	5.2	6.1	5.5	7.5	6.1	7.8	8.9	7.2
Shipment of consumer goods	4.0	7.3	10.2	10.6	8.8	9.2	12.4	6.7	1.9
Durables	7.4	10.1	16.2	10.8	12.0	12.3	17.3	5.0	6.0
Non-durables	2.4	5.9	7.1	10.5	7.1	7.7	10.1	7.1	-0.2

Source : National Statistical Office

Outlook for 4th Quarter, 1995 & 1996

In the last quarter of this year, private consumption is expected to grow 8.2 percent, thereby setting the growth rate for the whole of this year at 8.2 percent compared with 7.4 percent registered in 1994.

- This deduction is possible in view of the fact that there is still much room for increased consumption due to accumulated income the last three years or since the current economic boom cycle was set in three years ago.
- Also contributing to this assumption is the growing propensity for more expensive and larger durable consumer goods and implementation in 1996 of the integrated (global) income tax system under which taxes on financial income will be increased.

In 1996, private consumption is likely to grow 7.9 percent more than the overall economic growth rate, in view of the trait of private consumption growth following overall economic growth.

- It is highly unlikely, however, that private consumption will be overheated this time as it was in the past.

Fixed Investment

Recent Developments

Facility Investment

In the second quarter, facility investment marked an expansion of 19.0 percent, by no means minimal growth. However, it was no match with the 30.6 percent growth registered in the last quarter of 1994.

- The relatively low growth rate in the second quarter resulted from a negative 1.4 percent growth in the transportation equipment sector due to sharp cutbacks in the importation of airplanes. On the other hand, investment in industrial machinery rose 29.1 percent.

Although the growth rate in facility investment may continue to level off in the third quarter in view of minus growth in machinery orders received and negative growth rates in permits for machinery import registered in June and July, facility investment is likely to grow 9 percent this year from last year. Also, the current export growth rate is expected to be sustained, and thus it is unlikely that facility investment will plummet in the near future.

Facility Investment and Related Indexes

(Unit : % of year- to-year change)

	1994					1995		
	1/4	2/4	3/4	4/4	Year	1/4	2/4	July
Facility investment	20.9	16.8	24.3	30.6	23.3	25.2	19.0	-
Machinery	22.1	16.5	26.6	27.7	23.3	33.1	29.1	-
Transportation equipment	18.5	18.0	19.5	36.5	23.9	6.9	-1.4	-
Domestic Machinery Orders received	32.0	23.0	32.2	22.2	26.9	45.4	26.6	-16.3
Import licenses for machinery	51.5	68.9	81.2	87.4	73.6	59.4	79.8	-27.8
Domestic Machinery Shipment for facilities	29.0	20.2	18.7	21.4	22.0	28.1	29.6	25.0

Source: The Bank of Korea, National Statistical Office

Construction Investment and Related Indexes

(Unit : % of year-to-year change)

	1994					1995		
	1/4	2/4	3/4	4/4	Year	1/4	2/4	July
Construction investment	7.6	2.2	2.8	6.3	4.6	8.0	8.3	-
Building construction	11.3	-0.2	-0.2	-0.3	2.3	5.8	11.8	-
Other construction	-1.5	6.1	7.6	14.6	8.2	14.0	2.9	-
Domestic construction orders received	10.5	18.7	3.1	13.4	11.9	14.6	14.9	77.5
Floor area of authorized building construction	-24.0	-12.0	14.1	17.0	-1.3	16.2	35.9	-31.5
For industrial use	51.4	-11.9	30.5	15.8	16.8	1.4	41.0	-46.0

Source : The Bank of Korea, National Statistical Office

- In fact, a survey of 200 major enterprises engaged in variety of business types by Ministry of Trade, Industry and Energy has disclosed that their facility investment in the second half of this year will be generally at the same level as that of the first half.
- Minus growth in machinery orders received in July resulted not so much from decreased orders for machinery by manufacturers but by the sharp increase in government orders for facilities in July last year for the high-speed Seoul-Pusan railway project. In fact, during July, machinery

orders received from the private sector by manufacturing firms was up 23.7 percent.

By the same token, it is likely that facility investment will increase by a moderate 15.9 percent in the third quarter vs. 24.3 percent growth registered in the third quarter of last year.

Construction Investment

Construction investment marked an increase of 8.3 percent in the second quarter - up slightly over 8.0

percent growth marked in the first quarter, thanks chiefly to increased investment in building construction projects that more than offset a slump in social overhead capital projects.

- Investment in building construction increased 11.8 percent in the second quarter, influenced primarily by 15.2 percent growth in plant and office buildings and a 9.2 percent increase in housing projects.
- On the other hand, social overhead capital witnessed a meager 2.9 percent growth due to a slump in construction of railways, communications and other social infrastructures.

Construction investment in the third quarter is likely to witness 7.4 percent growth, somewhat less than the growth marked in the second quarter.

- Such prediction stems from the fact that no fewer than 130,000 apartment units remain unsold across the country, thereby undermining the strength on the part of housing construction firms, while construction of industrial/commercial buildings is expected to be affected by strengthened safety requirements imposed in the wake of the collapse of the Sampoong Department Store building.
- In addition, construction permits issued in July marked minus growth rates in terms of floor area for all types of buildings - buildings for industrial

and commercial use as well as housing, thereby indicating stunted growth in construction investment in the near future.

Outlook for 4th Quarter, 1995 & 1996

Facility Investment

In the last quarter of this year facility investment is expected to register 13.5 percent growth to result in 19.0 percent growth in the whole of 1995 - down 4.3 percentage points from 23.3 percent growth registered in 1994.

- Included among factors that indicate facility investment will register stunted growth in the last quarter of this year are the following:
- There are indications that the national economy is headed for a setback in its growth rate.
- The average operation rate has gradually decreased and production capacity of manufacturing enterprises has been greatly expanded with the maintenance of over 20 percent in facility investment growth since last year.
- Another factor pointing to a setback in the growth rate of facility investment in the last quarter is the weakening of the yen that may lead manufacturers of export goods to have second thoughts about their facility expansion plans.

Manufacturing Operation Rates & Production Capacity

	1994					1995		
	1/4	2/4	3/4	4/4	Year	1/4	2/4	July
Average operation rate (%)	81.9	82.5	81.4	84.9	82.7	83.5	82.4	81.7
Production capacity (% of year-to-year change)	2.0	2.6	3.8	5.6	3.5	9.1	9.3	8.8

Source : National Statistical Office

The slump in facility investment growth is likely to continue into 1996 to mark 9.4 percent growth for the whole of 1996 but it will remain better than the national economic growth rate for the new year.

- The year 1996 is likely to witness a "soft-landing" and depreciation of the yen is apt to lead to a slump in exports. So manufacturers of industrial goods, including export goods, may find themselves compelled to readjust their facility investment plans.

Construction Investment

The last quarter of this year may see 7.1 percent growth in construction investment, reflecting stunted demand for housing construction induced by a lackluster real estate business and government's anti-speculation measures as well as the downturn in facility investment growth.

For the whole of 1995, construction investment growth will be 7.7 percent - up 3.1 percentage points over 4.6 percent growth marked in 1994, due to increased construction of industrial and commercial buildings and relative expansion in social overhead capital.

During 1996, construction investment is likely to witness 7.8 percent growth, a similar growth rate marked in 1995 inasmuch as anticipated downturn growth in the housing/building construction sector will be offset by upturned investment in social overhead capital projects as well as public projects to be actively undertaken by local governments.

External Transactions

Recent Developments

Influenced by worldwide recovery of the economy and the strong yen, Korea's exports in July increased 38.5 percent - up 4.9 percentage points from 33.6 percent marked in the first half of this year.

- During July, export growth was spearheaded by chemical/heavy industrial products, which chalked up an impressive growth of 51.8 percent. On the other hand, light industrial products marked export growth of just 15.1 percent during the month.
- Exports to advanced countries accounted for 30 percent of the total exports in July, while those to developing countries accounted for 48.4 percent.

Imports in the first half of 1995 marked an increase of 37.8 percent from the same period in 1994. Influenced by increased facility investment, imports of capital goods rose 41.3 percent - the highest growth rate in the first six months of this year.

- In July imports of capital goods rose further to 43.4 percent. Imports of raw materials, on the other hand, marked a growth of 30.9 percent from a year earlier, due chiefly to decreased import of crude oil.

During the first seven months of this year, the current account incurred a US\$6.42 billion deficit, exceeding by far the US\$4.78 billion deficit marked in the whole of last year. The trade balance in the first seven months marked a deficit of US\$4.26 billion vs. last year's deficit of US\$3.08 billion. July witnessed a trade deficit decline to US\$50 million, reflecting increased exports of chemical/heavy industrial

Recent Developments & Outlook

Recent Export Trends

(Unit : US\$100 million, % of year- to-year change)

		1994	1st Half, '95	July, '95.	Jan.~July, '95
Total		960.1 (107)	584.1 (33.6)	105.4 (38.5)	688.7 (34.2)
By Product	Chemical/ heavy industrial products	639.5 (22.0)	416.8 (41.8)	72.3 (51.8)	474.3 (42.4)
	Light industrial products	257.4 (6.9)	142.0 (12.7)	26.3 (15.1)	171.2 (17.0)
By Region	Developed countries	488.1 (27.5)	287.5 (30.0)	53.9 (30.0)	342.4 (30.1)
	Developing countries	472.1 (132.5)	296.6 (37.7)	51.5 (48.4)	346.3 (38.5)

Source : The Bank of Korea

Recent Import Trends (customs clearance basis)

(Unit: US\$100 million, % of year-to-year change)

		1994	1st Half, '95	July, '95.	Jan.~July, '95
Total		1,023.5 (22.1)	652.7 (37.8)	113.1 (35.6)	765.8 (37.5)
By Commodity	Capital goods	404.3 (32.1)	260.7 (41.3)	47.6 (43.4)	307.2 (42.1)
	Raw materials	509.8 (14.8)	325.9 (75.5)	53.5 (30.9)	380.4 (34.9)
	Consumer goods	109.4 (24.6)	66.1 (34.8)	12.1 (29.0)	78.2 (32.9)

Sources : The Bank of Korea

products and decreased growth rate in imports of raw materials and consumer goods.

The invisible trade sector incurred a deficit of

US\$1.89 billion in the first seven months of this year vs. a US\$2.3 billion deficit marked in the whole of last year, due to increased outlays for overseas travel,

transportation and royalties. Payments of interest on foreign credits also increased, due to a strong yen.

Outlook for 4th Quarter, 1995 & 1996

In the last quarter export growth rate is likely to level off to 27.2 percent, influenced by depreciation of the yen and relative appreciation of the won. For the whole of 1995, however, exports are expected to grow 32.5 percent over the 15.7 percent growth marked in 1994. The year 1996, however, is likely to witness a growth rate of around 14 percent, influenced by depreciation of the yen since the second half of 1995 and limited growth in world trade volume.

Due to a setback in the growth rate of the national economy and the attainment of a peak in facility investment growth, Korea's annual import growth is likely to drop sharply from 34.1 percent in 1995 to 12 percent in 1996.

The deficit in foreign trade is expected to decline somewhat in the last quarter but the red figure for the whole of this year is likely to hit US\$5.7 billion vs.

Balance of Payments

last year's deficit of US\$3.08 billion. In 1996, the red figure is likely to drop to US\$4 billion, due to increased exports and decreased imports.

The deficit in the invisible trade sector, however, is expected to steadily increase to US\$2.86 billion in 1995 and US\$3.33 billion in 1996.

Foreign Exchange Rate

Recent Developments

With the opening of the year 1995, the value of the won continued to appreciate irrespective of growing deficits in the current account. The value of the won continued to appreciate until July 7 when the won-US dollar rate dropped to 756 won per one US dollar. Since then the exchange rate has fluctuated around 770 won per dollar.

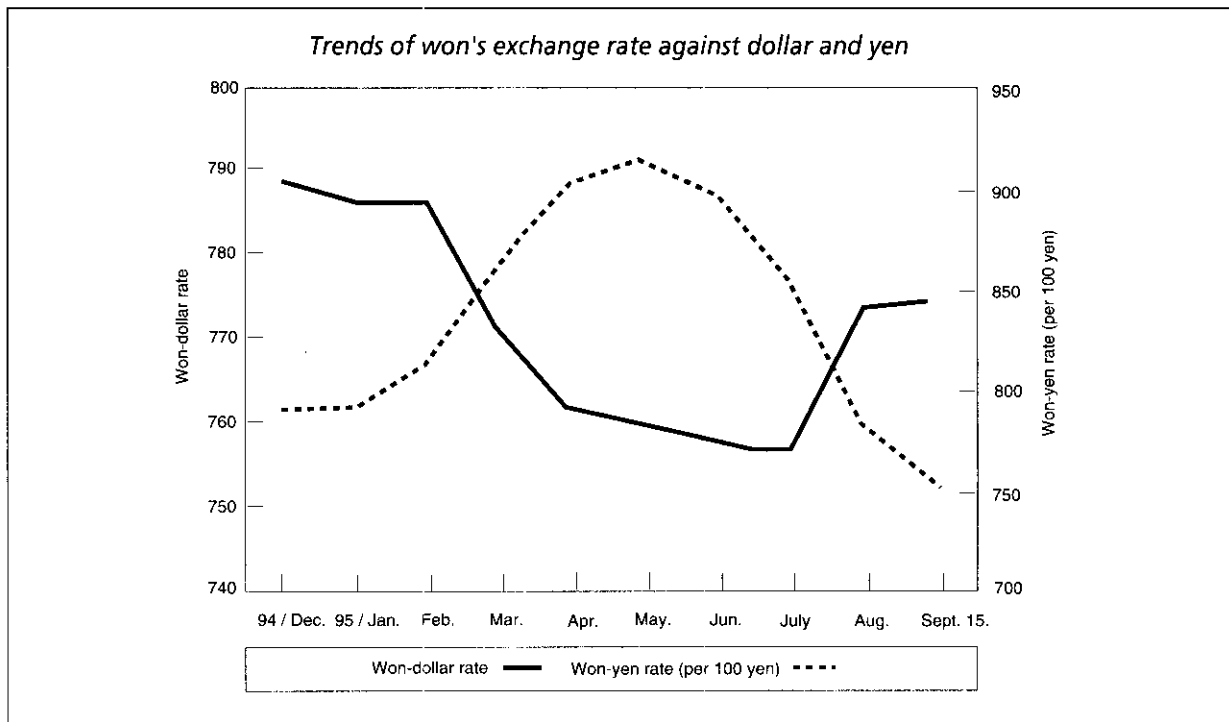
Outlook for 4th Quarter, 1995 & 1996

Influenced by declining deficits in the current

(Unit : US\$100 million, % of year-to- year change)

	1994	1995	
		July	Jan.~July
Current account balance	-47.8	-4.8	-64.2
Trade balance	-30.8	-0.5	-42.6
Export growth (%)	16.8	38.5	34.2
Import growth (%)	22.1	35.6	37.5
Invisible trade balance	-23.0	-2.5	-18.9
Unrequited transfer balance	6.0	-1.8	-2.7

Source : The Bank of Korea



account and liberalization of capital markets to facilitate inflow of foreign capital, the won-dollar exchange rate is likely to be stabilized around 760 won per US\$1 for the last quarter of this year and at 750 won per US\$1 toward the end of 1996.

Prices

Recent Developments

Consumer prices have generally stabilized. The consumer price index rose 3.5 percent in August. It was the second consecutive month that witnessed consumer price index growth of around 3 percent this year. On a year-to-year basis, monthly increases in the consumer price index averaged 4.45 percent in the first eight months of this year, far lower than the

average monthly increase of 6.43 percent marked in 1994. In fact, the 4.45 percent average monthly increase marked in the first eight months of this year is 0.12 of a percentage point lower than the 4.57 percent average monthly increase registered in the consumer price index in the first eight months of 1993 which marked an average annual increase of 4.8 percent. The consumer price index as of the end of August also represented an increase of 3.9 percent from the end of last year vs. 6.0 percent growth marked in the same period of last year.

Chief contributing factors to the relatively low growth rate of the consumer price index thus far this year have been stabilized prices of agricultural, livestock, fishery and other industrial products.

In particular, prices of agricultural, livestock and fishery products marked a negative growth rate of 1.4 percent vs. positive growth of 16.9 percent registered

in the same period last year. Their prices as of the end of August this year rose just 2.1 percent from the end of last year vs. 12.1 percent marked for the same period last year. Furthermore, prices of fresh food at the end of August represented minus 1.7 percent from the end of last year. Prices of manufactured goods rose but 2.5 percent at the end of August from the end of last year. On the other hand, the index for services rose by 5.8 percent in the first eight months of this year, due to increased utility and personal service charges.

The producer price index rose 6.2 percent in May from that of a year earlier, influenced by increased prices of imported raw materials but leveled off to 4.6 percent in August this year. This was influenced by a downturn in the prices of imported raw materials since April. During the first eight months of this year, the producer price index rose 3.7 percent from the end of last year, or higher than 3.0 percent growth marked in the first eight months of last year from the end of 1993.

Outlook for 4th Quarter, 1995 & 1996

The consumer price index is likely to increase 4.9 percent in the last quarter of this year, slightly higher than the growth marked in the third quarter. The last quarter may witness continued increases in public utility and personal service charges, while prices of agricultural and fishery products will remain stabilized along with prices of imported raw materials. Thus, this year is likely to witness a 4.6 percent increase in the consumer price index.

On the other hand, influenced by continued downturns, since April in the price index of imported raw materials, its increase rate is expected to further decline in the last quarter from the third quarter.

The year 1996 is likely to see the consumer price index increase by this year's level of 4.8 percent and the producer price decline to 3.1 percent. In 1996 service charges are likely to increase somewhat influenced by a continued brisk business that began

Consumer Price Index by Commodities & Services

(Unit : % of year-to-year change)

		Total	Agri., livestock & marine prod.	Ind. products	Services				
					House rent	Public utility charges	Personal services	Eating out	
1994	June	5.9	10.7	2.9	6.5	3.6	7.5	7.9	7.0
	July	6.9	15.2	3.0	6.6	3.4	8.1	8.4	6.8
	August	7.4(6.0)	16.9(12.1)	2.9(2.1)	7.2(6.6)	3.4(2.4)	9.7(10.0)	8.4(7.5)	6.8(5.9)
1995	June	4.3	3.5	2.2	6.4	3.9	8.5	7.1	4.9
	July	3.8	0.1	2.2	6.8	4.2	8.2	8.6	5.4
	August	3.5(3.9)	-1.4(2.5)	2.6(2.5)	6.4(5.8)	4.1(2.9)	7.0(7.5)	9.0(8.4)	5.6(3.7)

Note: Figures in parentheses denote % of change from the end of the previous year.

Recent Developments & Outlook

Producer Price & Imported Raw Material Price Indexes

(Unit : % of month-to-month change)

	Jun., 1994	July	Aug.	Jun., 1995	July	Aug.
Producer price	0.4	0.4	1.1(3.0)	0.1	0.2	0.1(3.7)
Imported raw material price	1.5	2.0	1.4(10.0)	-1.0	-1.2	-1.2(0.2)

Note: Figures in parentheses denote % of change from the end of previous year.

Price Trends & Forecasts

(Unit : % of year-to-year change)

	1992	1993	1994	1995				
				1/4	2/4	3/4	4/4	Year
Consumer price	6.2	4.8	6.2	4.6	4.8	4.1	4.9	4.6
Producer price	2.2	1.5	2.7	3.3	5.9	5.0	4.7	4.8

two years ago. On the other hand, no marked increase in the money supply is anticipated in 1996 in view of slumps in real estate and downturns in the growth rate of facility investment. Prices of imported raw materials are likely to remain stabilized which in turn will help stabilize producer prices.

Money & Banking

Recent Developments

During July, total money supply (M2) based on an average balance increased 15.0 percent, or 1 percentage point less than the 16 percent growth marked during the previous month - a downtrend set in February. Average-balance growth of M2 plus CD also declined from 16.2 percent in June to 15.6 percent in July.

Movement of money supply by sector in July was as follows:

- In the government sector, some 1,900 billion won was withdrawn in value-added tax, withholding tax, and other revenues.
- In the private sector about 2,800 billion won was supplied in July in foreign-currency credits, loans for small- and medium-sized enterprises, etc.
- In the foreign sector, only about 1,130 billion won was released, despite an accumulating deficit in foreign trade, thanks to a net inflow of US\$14.5 billion in foreign capital into the stock market due to the increased ceiling on foreign ownership of listed shares.
- In the other sector about 1,710 billion won was withdrawn with increased release of CDs, financial bonds, repurchase bonds, etc.

Money Supply

(Unit : 100 million won, %)

	May 1995	June 1995 ^p	July 1995 ^p	July 1994
Average balance	1,340,372	1,346,999	1,363,745	1,186,111
(Amount increased)	12,431	6,287	17,086	25,386
(% of year-to-year change)	16.8	16.0	15.0	16.1
End-of-month balance	1,332,392	1,363,741	1,366,972	1,200,018
(Amount changed)	-5,963	31,340	3,231	21,527
(% of year-to-year change)	16.4	15.7	13.9	17.3
(M ₂ +CD) Increase Rate	16.7	16.2	15.6	18.2

Source : The Bank of Korea

Outlook for 4th Quarter, 1995 & 1996

The last quarter of this year will witness little need for increased money supply inasmuch as much of the capital needed for facility investment has been met while the traditional Chusok (Moon Festival) holiday was observed in early September.

On the supply side, the government is expected to implement a flexible money supply policy in order to cope with possible adverse impact on the financial

market of the projected enforcement of global financial income tax system in 1996, while easing the capital plight of small businesses and at the same time maintaining interest rates at optimum level.

The total money supply is likely to witness an expansion of around 15 percent this year, inasmuch as the normal growth rate will be maintained in the last quarter of this year, influenced by continued implementation of bank interest liberalization policy and declining capital demand for facility investment.

Money Supply (M₂) by Sector

(Unit : 100 million won, %)

	April	May	June	July
Government sector	-22,201	-12,272	846	-19,009
Private sector	52,868	15,695	28,275	28,009
Foreign sector	-2,183	3,311	1,121	11,317
Other sector	-7,604	-11,917	1,087	-17,086
Total money supply (M ₂)*	20,880 (17.6)	-5,183 (16.5)	31,349 (15.7)	3,231 (13.9)

Source : The Bank of Korea

Note : * End-of-month balance

Monetary Bond, CD & RP Bond Net Issues

(Unit : 100 million)

	May	June	July
Monetary bonds	-2,299	945	-1,948
CD	7,473	530	9,846
RP bonds	993	395	4,133

Source : The Bank of Korea

Recent Money Supply Movement

(Unit: 100 million)

	May	June	July
M2	-5,963	31,349	3,231
Change (%)	(16.4)	(15.7)	(13.9)
M2+CD	2,646	31,879	13,077
Change (%)	(16.6)	(15.7)	(15.0)

* Based on end-of-the-month balance
Source : The Bank of Korea

The government's flexible monetary policy is likely to be maintained in 1996, barring any drastic change related to general elections slated for May 1996 and/or other factors, including implementation ahead of the original schedule of major social overhead capital projects. This being the case, it is probable that the total money supply expansion will be pegged below the 15 percent growth anticipated for this year.

Interest Rates & Financial Condition

Recent Developments

In July the financial condition of banks and secondary financial institutions remained favorable despite the vast fund requirement tied to payment of

value-added tax.

- In July the ratio of dishonored bills (to the total bills issued in terms of value) in Seoul rose 0.01 of a percentage point from 0.11 percent in June to 0.12 percent, but in local areas the ratio dropped to 0.69 percent. The number of enterprises that bankrupt increased by 1,342 over the previous month.
- However, newly established firms with the status of a judicial person (incorporation) in July totaled 1,735 or three times more than the number of corporations that went bankrupt in the same month.
- During the first half of this year, domestic enterprises experienced difficulties in their efforts to raise funds on the financial market : funds raised through the issuance of debentures decreased by 1,718 billion won (-16.7 percent)

from 10,267.1 billion won in the first half of 1994 to 8,549.1 billion won, while funds raised through the issuance of shares with consideration increased by 802.2 billion won (up 33.2 percent) from 2,410.9 billion to 3,213.1 billion won during the same period.

During the first half of this year interest rates dropped slightly from the second half of last year and remained more or less stabilized, influenced chiefly by blunted capital demand of enterprises amidst mounting expectation that the financial condition will remain stable.

- During July, call rate increased to as much as 13 percent, due to increased capital demand stemming from requirements for payment of value-added tax, issuance of currency stabilization bonds (1,020 billion won), issuance of grain price stabilization bonds (360 billion won), etc., but it was stabilized thereafter at around 11 percent, influenced by improved financial conditions of securities firms thanks to increased deposits by clients as well as a favorable supply of capital from bank trust accounts and insurance firms.

- Interest rates on debentures remained generally stabilized at around 14.1 - 12.9 percent in July as securities, investment, and trust and insurance firms raised their purchases of debentures in anticipation of further decline in market interest rates.

Outlook for 4th Quarter, 1995 & 1996

Interest rates in the last quarter will drop below the current 13 percent level, if only the prevailing unrest stemming from the objected implementation of the global financial income tax system in 1996 is removed.

- In Korea, interest rates are being influenced chiefly by capital requirements for facility investment, government monetary policy, and seasonal factors.
- Now that demand for facility investment has been blunted and seasonal factors have been removed with the advent of Chusok in early September, interest rates are likely to be stabilized at around 12 percent in the last quarter.

Inasmuch as it anticipates that economic growth in

Interest Rates in Second Quarter

(Unit : %)

	End May	End June	End July	End August	Sept. 21	Change		
	A	B	C	D	E	B-A	C-B	D-C
Call rate	13.40	15.37	12.05	12.80	10.00	1.97	-3.32	0.75
Yield of debenture	14.97	14.66	13.90	12.98	12.83	-0.31	-0.76	-0.92
CD	14.80	15.05	13.90	13.20	13.00	0.25	-1.96	-0.70

Source : The Bank of Korea

Notes : 1) Call rate per day

2) Yield of debenture is based on a 91-day maturity

3) Debentures are based on a 3-year maturity with payment guarantee

Recent Developments & Outlook

1996 will generally decline by around 1.5 percent in 1996 from this year, it is probable that interest rates will be stabilized at around 11.5~12.5 percent in the new year.

Financial market conditions are also expected to

improve in 1996 to enable enterprises to raise their funds on the domestic capital market at more favorable terms than this year through listing of their shares, additional right issues and issuance of debentures.

Funds Raised on Financial Market

(Unit : 100 million won)

	1995	1994	Change
	(Jan.~June)	(Jan.~June)	(Jan.~June)
Public offering of shares	1,300	1,364	-64 (-4.7%)
Shares issued with consideration	32,131	24,109	8,022 (33.2)
Issue of debentures	85,491	102,671	-17,180 (-16.7%)
Total	122,953	148,785	-25,832 (-17.4%)

Quarterly Interest Rates & Financial Conditions

(Unit: %)

	1994					1995				
	1/4	2/4	3/4	4/4	Year	1/4	April	May	June	July
Debentures	12.2	12.4	12.7	13.9	12.9	15.1	14.71	14.90	14.67	14.71
Call rate	11.2	12.0	13.3	12.8	12.3	12.5	12.49	12.67	12.67	11.23
CD	12.0	12.4	14.3	14.4	13.3	14.4	14.56	14.73	14.73	14.24
Ratio of dishonored bills										
Nationwide	0.14	0.16	0.18	0.20	0.17	0.20	0.19	0.22	0.21	0.20
Seoul	0.09	0.10	0.10	0.12	0.11	0.13	0.11	0.13	0.11	0.12

Source : The Bank of Korea

Notes : 1) Call rate per day

2) Yield of debenture is based on a 91-day maturity

3) Debentures are based on a 3-year maturity with payment guarantee

Environments & Foci of the Macroeconomic Policies

Macroeconomic Environments

The current economic cycle, which began in January 1993, continued to expand for over 10 quarters (a quarter = three months) until outset of the last quarter of this year when economic growth leveled off to around 8 percent; however, economic growth for the whole of 1995 will be around 9 percent -- a level considered as higher than normal.

- During the first half of this year both industrial output and shipments witnessed a double-digit growth influenced by increased facility investment and exports and consumer spending. The quarter thus marked 9.5 percent growth in the economy.
- In the first quarter, in particular, exports rose by over 33 percent stimulated by sharp appreciation of the yen. Facility investment also climbed 22 percent due to increased operating rates of plants producing chemicals and heavy industrial products. Thus, increased exports and facility investment continued to help sustain growth of the Korean economy since 1994.
- Stunted growth in private consumption and industrial output in the third quarter notwithstanding, the expansion path of the economy is likely to be maintained in the second half of

this year. It is probable, however, that facility investment growth will suffer a setback in the last quarter due to depreciation of the yen to around 100 yen per US\$1 and downturns in the facility investment cycle.

The upturn cycle of the economy is likely to be sustained for sometime in view of the sound nature of the current economic growth, which is spearheaded by growth in exports and facility investment.

- Usually the second half of an upturn economic cycle is marked by excessive consumption growth and/or overheated real estate and securities markets--signs of a bubble economy, but no such signs have appeared thus far. The construction investment growth has also been moderate, lagging behind the growth rate of the economy, due to lagging growth in the housing construction sector.
- Domestic commodity prices have been stabilized relatively from a year earlier, despite inflationary pressure from overseas market for raw materials and a domestic labor shortage. This is because inflationary factors are being partially offset by stabilized prices of domestic agricultural and fishery products as well as expanded facility investment that helped raise industrial output.

- The last quarter is likely to witness around 8 percent growth in the national economy, propped up by increased exports and moderate growth in private consumption.
- An analysis of the five economic cycles Korea experienced since 1972 shows that each cycle's expansion period lasted 31 months on average, while the contraction period lasted 19 on average. Inasmuch as the current business cycle began in January 1993, it may be presumed that the second half of the current business cycle would have begun in the second or third quarter of this year. However, as reviewed above, it is likely that the second phase of the current cycle will begin sometime in 1996. This means that the current economic cycle is likely to witness a longer expansion phase than the 31-month average record of the five economic cycles since 1972.

It should be noted that our economic growth is also influenced by world economic conditions in general, by those of our trading partners in particular. It should be noted in this connection that the yen-dollar exchange rate will be maintained at around 95-105 yen per US\$1 in the last quarter and at around 95-100 yen per US\$1 in 1996 and thus it would be rather difficult to expect continue expansion in Korea's exports like in early 1995 when the yen was strong and commanded an exchange rate of 80 yen to the dollar. However, the world economy is likely to improve in the new year influenced chiefly by continued economic development in emerging countries and economic measures being adopted by advanced countries, including the United States and Japan, to boost their economies.

This being the case, it will be possible for our economy to realize its potential annual economic

growth rate of 7.5 percent this year, if only growth in the private consumption is maintained at a proper level, facility investment growth is so oriented as to emphasize efficiency rather than scale, and capital inflow in the foreign sector is so steered as to minimize its impact on monetary inflation.

Macroeconomic Policy Issues

In view of the prospect that Korea's economic growth rate is likely to level off to around 7 percent in 1996, its macroeconomic policy should be focused measures designed to sustain continued and stable growth of the economy on a long-term basis.

- We owe our unexpected high-level economic growth in 1994 and 1995 to the recovery of the world economy, export expansion from the high value of the yen and increased facility investment in the private sector. The current downturn in our economic growth is likely to continue for sometime into 1996 due to a recent downturn in the strength of the yen and in the facility investment growth.
- In order to sustain economic growth rates in 1995 and 1996 at the level of 9.0 percent and 7.5 percent, respectively, it will be necessary to steadfastly maintain the basic economic policy of the government.

However, it appears necessary to ease stringent monetary policy and appreciation of the won policy which have been implemented since 1994 in order to discourage overheated economy and inflation inasmuch as these policies have tended to generate the following adverse results.

- Under stringent monetary policy, the government

resorted to the direct money supply management formula, adjusting capital liquidity through issuance of currency stabilization bonds, and/or repurchase bonds, thereby raising the ratio of dishonored bills.

- With implementation of the appreciation of the won policy tied to liberalization of Korea's capital market and stabilization of commodity prices, irrespective of unfavorable balance of foreign trade, Korea's deficit in foreign trade has been snowballing.
- It is possible that augmented government control designed to discourage facility investment out of fear of the economy being overheated has tended to wither willingness to reduce facility investment volition on the part of enterprises. Furthermore, irrespective of the fact that offshore investment by domestic enterprises lagged far behind foreign investment in Korea, the government tightened its control on offshore investment, too. This makes a conspicuous contrast with the policy enforced in 1992: withdrawing requirements to invest capital to meet a certain portion of the overseas investment project and another policy enforced in February 1994 under which the ceiling on offshore credit available for financing offshore investment projects.

In order to ensure a "soft landing" of the current economic boom and thus place the economy on the right track for sustained growth, it will be necessary for the government to eliminate the above-mentioned adverse effects of the current monetary and exchange-rate policies. In this connection the need to implement measures designed to effectively boost exports and expand facility investment cannot be over emphasized.

- Inasmuch as increased facility investment caused increased imports of capital goods, which in return resulted in increased trade deficit, measures to reduce imports of capital goods would seem inevitable to reduce the trade deficit; however, it should not be overlooked that reduced facility investment will have serious influenced on domestic industries which need to enhance international competitiveness by reducing production costs through the installation of high-tech facilities while effectively coping with a serious labor shortage.
- Given the liberalization of domestic capital market to foreign competition at this time when there exist marked margins between domestic and foreign interest rates, increased imports of capital goods will tend to reduce Korea's surplus in the overall balance which will no doubt become a favorable factor in the ultimate management of our macroeconomic policy. In fact, in view of the failure we had experienced in the management of surplus in the current account in the late 1980s, a deficit in trade from increased importation of capital goods will be a counterbalancing factor against inflow of foreign capital on the domestic capital market. It is desirable, therefore, for the government to pursue a balanced financial policy, taking into consideration the deficit in the current account and the surplus in the capital account.

It appears that the current surplus-oriented financial policy is necessary in order to do away with the other formula of offsetting deficit in the current account with overseas borrowings. However, in view of the need to boost government investment to ensure a "soft-landing" of an inflated economy while

expanding social overhead capital, it will be better off for the government to pursue a balanced financial policy apart from the process of a business cycle.

- Actually the government was able to successfully manage the national economy in the first half of this year by pegging its expenditures to the level of a year ago and by utilizing its budget surplus in reducing the money supply. In 1995 and 1996, the government is said to be planning to balance its financial management.
- It should be noted in this connection that in order to ensure a successful opening of the domestic financial market to foreign competition, it is imperative to reduce domestic interest rates and thus ease external pressure to appreciate the value of the won. In order to remove the conspicuous margin between domestic and foreign interest rates, it is necessary to increase domestic savings, while no marked increase in domestic savings will be possible, if efforts to save money are impeded by government's financial measures.

In order to minimize the margin between domestic and international interest rates, it is also necessary for the government to pursue a flexible monetary policy along with its tight budget policy.

- Despite rapid increases in the prices of imported raw materials with the opening of the second half of this year, the consumer price index has come to be stabilized at around 4 percent and it is likely to increase no more than 5 percent in 1996.
- Such a consumer price trend is possible inasmuch as the impact of increasing people's income and resulting pressure on inflation are being offset more or less by increased productivity; "price destruction" movement is being launched by some distribution firms, including supermarket

and convenient store proprietors.

- It should be noted that it is necessary to pursue a flexible money and credit policy in the last half of the current economic boom, during which prices are expected to be stabilized, so as to help induce market interest rates and thus ultimately contribute to the economic development on a long-term basis. On the contrary, contraction of the money supply at this time when economic growth is about to face a downturn, will only tend to accelerate an increase in market interest rates, wither investment minds on the part of enterprises and boost the ratio of dishonored bills.

Journal of Economic Policies & Measures (July 1, 1995-Sept. 30, 1995)

July 1

Ministry of Finance & Economy announces an economic management plan for the second half of 1995 marked by stabilization of prices, improvement of international balance of payments position, and substantial enhancement of people's lifestyle.

July 4

Ministry of Information & Communications adopts its basic policy for strengthening Korea's international competitiveness in the telecommunications sector, marked by prompt buildup of international competitiveness of domestic firms centered around Korea Communications.

July 7

Ministry of Finance & Economy announces plans to revise tax laws designed to foster firms manufacturing machinery and other capital goods and related manufacturing firms, including measures to support projects for development of technical manpower.

July 11

Ministry of Agriculture, Forestry & Fisheries finalizes a plan designed to assess lower tariffs on

importation of 13 items including corn, soybeans, buck wheat, malted barley, sesame, red beans and glucose line with the accord of the World Trade Organization (WTO)

July 19

Ministry of Finance & Economy announces the conclusion of a ROK-USA accord on extension of shelf-life of imported foodstuffs, etc., including a plan under which the shelf-life of frozen / refrigerated foodstuff including beef will be deregulated from July 1, 1996.

July 20

Ministry of Finance & Economy announces a long-term economic development plan under which the per capita GNP will be raised to \$39,000 by the year 2005 and Korea's economy will be developed to the level of the world's great seven countries by around the year 2010.

July 22

Ministry of Finance & Economy announces a plan to ease regulations concerning exports and imports, including extension of duty-free import customs clearance deadline for goods to be re-exported.

July 24

Ministry of Finance & Economy announces a plan to promote a three-phase interest decontrol plan under which interest rates on deposits and time deposits will be liberalized under the first phase, interest rates on short-term papers including CDs, RPs and Cps will be liberalized under the second phase and interest rates on government policy loans from the Bank of Korea will be liberalized under the third phase.

Ministry of Finance & Economy simultaneously announces another plan designed to consolidate the bonds market under which the maturity of national bonds and financial bonds will be further extended from January 1, 1996.

August 11

Ministry of Industry, Trade & Energy has announced increases in consumer prices of petroleum, gasoline and other oil products by an average of 5.17 percent, reflecting readjusted tariff rates, effective from August 12, 1995.

Ministry of Finance & Economy has unveiled its plan to restructure the bond industry, under which investment and securities firms will be allowed to invest in other investment and securities firms to pave the way for effective development of the bond

industry. Also, the business lines of investment and securities firms will be diversified in line with the worldwide trend.

August 25

Ministry of Finance & Economy has announced its plan to enact a futures exchange law to pave the way for transactions in futures of all products including stocks and commodities.

August 26

Ministry of Finance & Economy has announced results of the ROK-USA negotiations for revising the ROK-USA memorandum on tobacco. Consequently, US tobacco firms will have easier access to Korea's tobacco market within the framework of the WTA accord on tobacco, while Seoul will continue to regulate tax and advertisement on tobacco.

August 30

Ministry of Finance & Economy has unveiled its budget for 1996 scaled at 63 trillion won – up 14.9 percent over the 1995 budget: The general budget is scaled at 58 trillion won-up 16 percent, and government investment and loan budget at 5 trillion won – up 3.4 percent.

August 31

Ministry of Finance & Economy has announced a plan designed to gradually increase budget for education to 5 percent of GNP by 1998, by assessing education tax on tobacco and POL (petroleum, oil and Lubricants).

September 5

Ministry of Construction & Transportation has revised the Presidential Decree Enforcing the Law concerning Acquisition of Land by Foreigners and Management to allow among other things continued land ownership by first-generation Koreans who acquired foreign citizenship, ease restrictions on land acquisition by foreign insurance firms, etc. The revised decree is to be enforced in November 1995.

Ministry of Finance & Economy has announced its plan to revise the Customs Tax Law designed to drastically reform the current customs clearance procedures for boots exports and imports.

September 11

Ministry of Finance & Economy has announced its amendment bill to the Law Concerning Securities Investment and Trust, designed to facilitate development of the financial industry.

Under the revised law, business sphere of investment and trust firms will be expanded.

September 15

Ministry of Finance & Economy has announced its plan to revise the Traffic Tax Law, the Special Excise Tax Law and the Education Tax Law. Effective January 1996, specific duty instead of the current ad valorem duty will be assessed on gasoline and other oil products.

September 27

Ministry of Industry, Trade & Energy has announced its plan to revise the Petroleum Business Law to liberalize import / export of petroleum products and decontrol their prices from January 1, 1997. The Current System of requiring specific license for engaging in petroleum refining business will be replaced with a registration system from January 1, 1999.

Ministry of Industry, Trade and Energy has announced the conclusion of ROK-USA negotiations on automobiles in Washington. Consequently, imports of cars will be facilitated through easing of restrictions and downward reduction in automobile taxes.

Statistics

Economic Growth, Consumption and Investment

Year/Month	Economic Growth		per capita GNP	Consumption		Investment		
	GDP	Mfg ind.		Total	Private	Total fixed investment	Facility	Construction
	Year-to-year change (%)		U.S.\$	Year-to-Year Change(%)				
1988	11.3	13.8	4,295	8.8	9.0	13.7	13.0	14.3
1989	6.4	4.2	5,210	10.4	10.8	15.9	14.7	31.2
1990	9.5	9.7	5,883	10.1	10.7	25.9	18.8	31.2
1991	9.1	9.1	6,757	9.3	9.5	12.6	12.1	13.0
1992	5.1	5.1	7,007	6.8	6.6	-0.8	-1.1	-0.6
1993	5.8	5.0	7,513	5.3	5.7	5.2	-0.1	8.9
1994	8.4	10.4	8,483	7.0	7.4	11.7	23.3	4.6
1995. 2								
3	9.9	12.9	-	7.9	8.7	15.6	25.2	8.0
4								
5								
6	9.6	11.1	-	7.4	8.1	12.7	19.0	8.3
7								
8								

Trade and International Balance of Payments

Year/Month	Trade						International payments balance			Foreign exchange reserves 1)	Exchange rate
	Exports (FOB)		L/C arrivals	Imports (CIF)		I/L issued	Trade balance	Current balance	Overall balance		
	US.\$ mil.	Year-to-year change (%)		US.\$ mil.	Year-to-year change (%)		(W/US\$) US\$ 100 mil.			End of Year/Month	
1988	60,696	28.4	23.0	51,811	26.3	26.7	11,445	14,161	12,175	12,378	684.1
1989	62,377	2.8	6.4	61,465	18.6	17.2	4,597	5,055	2,453	15,245	679.6
1990	65,016	4.2	4.4	69,844	13.6	21.8	-2,004	-2,179	-274	14,822	716.4
1991	71,870	10.5	5.2	81,525	16.7	9.4	-6,980	-8,728	-3,741	13,733	760.8
1992	76,632	6.6	4.7	81,775	0.3	-10.3	-2,146	-4,529	4,898	17,154	788.4
1993	82,236	7.3	6.2	83,800	2.5	8.5	1,860	385	6,542	20,262	808.1
1994	96,013	16.8	15.7	102,348	22.1	40.3	-3,145	-4,531	2,822	25,673	788.7
1995. 2											
3	8,396	35.4	36.0	9,852	47.0	62.1	-1,038	-1,282	-612	26,400	786.0
4	10,063	32.2	21.9	11,695	40.6	36.9	-1,111	-1,285	-141	26,568	771.5
5	10,181	32.8	14.7	11,181	38.6	80.6	-649	-861	-729	27,294	761.8
6	10,653	35.6	27.6	11,820	39.7	55.3	-581	-914	312	27,818	760.1
7	11,302	36.1	20.5	11,834	42.8	24.1	-477	-745	278	28,382	758.1
8	10,539	38.5	13.4	11,311	35.6	15.4	-50	-484	1,742	30,950	756.5
8	10,609	39.6	6.3	11,513	34.4	24.5	-	-	-	31,173	777.1

Source: The Bank of Korea.

Note : 1) From 1988 foreign exchange reserves in the public sector only are covered.

Prices, Unemployment and Interest Rate

Year/Month	Prices 1)		Unemploy- ment rate	Nominal wage (mfg ind)	Currency 2)		Interest rate (Year-to-year change (%))		
	Producer	Consumer			M1	M2	Rediscount	Time deposit 3)	Yield (debenture)
	Year-to-year Change (%)		(%)	Year-to-year change (%)					
1988	2.7 (2.3)	7.1 (7.2)	2.5	19.6	15.5	18.8	8.0	10.0	14.5
1989	1.5 (1.2)	5.7 (5.0)	2.6	25.1	14.1	18.4	7.0	10.0	15.2
1990	4.2 (7.2)	8.6 (9.4)	2.4	20.2	18.1	21.2	7.0	10.0	16.5
1991	4.7 (1.9)	9.3 (9.3)	2.3	16.9	16.1	18.6	4.0	10.0	16.5
1992	2.2 (1.6)	6.2 (4.5)	2.4	15.7	32.3	18.4	7.0	10.0	18.9
1993	1.5 (2.0)	4.8 (5.8)	2.8	10.9	22.1	18.6	5.0	8.5	12.6
1994	2.8 (3.9)	6.2 (5.6)	2.4	15.5	11.9	15.6	5.0	8.5	12.9
1995. 2	3.9	4.2	2.6	-4.3	10.0	17.0	5.0	9.0-10.0	15.3
3	5.1	4.7	2.4	8.9	12.1	16.5	5.0	9.0-10.0	15.0
4	5.7	5.1	2.1	9.6	13.1	16.7	5.0	9.0-10.0	14.7
5	6.2	5.1	1.9	9.9	13.0	16.8	5.0	9.0-10.0	14.9
6	5.9	4.3	1.8	10.8	12.2	15.9	5.0	9.0-10.0	14.7
7	5.7	3.8	1.8	-	11.0	15.0	5.0	9.0-10.0	14.2
8	4.6	3.5	1.9	-	11.6	14.7	5.0	9.0-10.0	13.2

Industrial Production and Demands

Year/Month	Ind. output		Demand-related indexes							
	Mfg	Operating ratio index	Retail	Consumer goods shipment 4)	M/C orders 5)	M/C imports 6)	Construction orders	Const. permit (floor area)		
								Ind. use	Housing	
Year-to-year change (%)										
1988	13.5	-1.6	5.1	20.9	25.3	25.5	0.6	26.7	17.7	39.4
1989	3.0	-3.6	9.5	19.1	24.8	40.3	84.5	45.8	-4.0	57.5
1990	8.9	2.6	10.5	15.2	38.8	20.3	55.8	31.4	17.0	49.3
1991	9.7	1.5	7.8	11.4	2.2	20.0	13.9	-9.7	6.7	-16.7
1992	5.9	-1.4	5.5	5.2	-5.2	-5.2	6.4	-10.0	-12.4	-7.4
1993	4.2	-0.6	6.4	4.0	12.1	-5.7	19.3	24.5	15.2	26.7
1994	11.0	4.4	6.1	9.2	26.9	34.3	11.9	-1.3	16.8	-8.5
1995. 2	19.8	2.3	3.2	16.2	58.8	71.3	4.4	17.8	9.2	25.2
3	14.7	2.4	7.3	9.7	42.9	68.8	26.0	19.0	-5.9	41.9
4	14.1	1.6	9.5	8.1	28.5	48.6	35.8	45.2	73.9	57.0
5	12.6	-0.6	8.7	5.9	25.0	59.6	14.1	52.3	17.3	60.2
6	10.1	-1.2	8.2	5.1	26.2	48.1	1.9	16.8	36.0	15.6
7	14.9	3.7	7.2	2.0	-16.3	52.1	77.5	-31.5	-46.0	-34.8
8	12.9	0.8	8.3	7.5	18.4	-	20.0	-19.6	4.9	-26.7

Source: The Bank of Korea, National Statistical Office.

Notes : 1) Figures in parentheses denote Year-to-Year change in December.

2) M1 and M2 represent average-balances 3) Refer to interest on Over 1-Year time deposits; from Dec. 5, 1988 refer to interest on one year to less than two-year time deposits 4) For domestic market 5) For domestic use, exc. vessels 6) Ordinary machinery for domestic use.