

Republic of Korea Economic Bulletin

The Green Book: Current Economic Trends

Policy Issues

- ✓ *Government Initiative to Promote Employment of the Aged*

Economic News Briefing

- ✓ *GDP in Q2 increases 5.3% year on year (preliminary)*
- ✓ *The 2nd phase financial deregulatory tasks and implementation plans*
- ✓ *Banks & credit card firms report a strong profit for H1 (preliminary)*
- ✓ *Establishing 'e-Asia and Knowledge Partnership Fund' in ADB*

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Republic of Korea

Economic Bulletin

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Inaugural Speech “Toward Change and Innovation” by DPM Kwon Okyu

July 18, 2006



2006. 7. 18 ~	Deputy Prime Minister and Minister of Finance and Economy
2006. 6.	Chief Secretary to the President for National Policy
2006. 4.	Senior Secretary to the President for Economic Policy
2004. 7.	Ambassador, Permanent Representative of the Republic of Korea to the OECD
2003. 2.	Senior Secretary to the President for National Policy
2002. 7.	Administrator, Public Procurement Service
2001. 4.	Deputy Minister of Finance and Economy

■ Opening

My dear colleagues in the Ministry of Finance and Economy (MOFE),

I am pleased to be back to my second home in four years after I left MOFE in 2002. Good to see you again!

It is a great honor for me to assume the position of Deputy Prime Minister and Minister of Finance and Economy. But my delight instantly turns heavy responsibility the moment I think of the changing environment our economy is facing at home and on the external front as well as many tasks to overcome where MOFE has to take the lead.

The Participatory Government and MOFE have made best efforts to run the economy in accordance with the economic principles from the mid to long term perspective, despite domestic and external difficulties and hardships. We have placed the prime importance on restructuring and strengthening fundamentals, rather than futile adherence to short term results. I believe that the economy has reached a growth track in tandem with growth potential by gradually eliminating risk factors in the system.

Emphasis has been put on the advancement of systems such as innovation in the financial and foreign exchange systems, and fiscal and market reforms. The government has put equal efforts in developing mid to long term national strategies to position Korea as a hub in Northeast Asia and to carry out regional innovation.

I would like to express my gratitude to my immediate predecessor Han Duck-soo and extraordinary predecessors for their dedicated efforts and stellar performance.

Despite all the efforts, however, it is also clear that difficulties felt by the middle and low income including non-regular workers and small business owners have been aggravated in the process of post-financial crisis restructuring. Public perception of the current economic situation and MOFE is not all positive. It is an indication of strong demand from the public for appropriate measures to counter structural issues.

Fellows and colleagues,

The environment surrounding the Korean economy is fast changing. Our economy is being influenced by the changing environment of fiercer competition in a globalized world and uncertain fiscal sustainability stemming from population aging. Advanced economies' policies are geared toward making markets far-reaching and broad-based. Another common trend is that they pursue social integration through overhaul of social safety net.

Economies adjusting themselves to the changes are gaining opportunities to reach for a new height. On the contrary, those who are idle or refuse to change have no choice but to lag behind and be forgotten in history.

Korea is no exception. We should face up to a mainstream trend in countries, economies and societies. Broadly introducing market principles while ensuring social safety net seems to be the policy task with utmost importance.

■ Economic policy direction

The Ministry of Finance and Economy should be at the forefront in supporting the strategy. In view of this, I would like to touch upon the policy direction MOFE should take up.

First, macro-economy should be thoroughly managed. It is because a shared growth strategy requires a sound and stable macro-economy.

To this end, precise and systematic check-up of the economic status and fiscal execution is of utmost importance for thorough macroeconomic management. This paves the way for us to communicate with the market in a timely manner.

We must also have a shared understanding of macroeconomic conditions with the central bank that is responsible for the interest rate policy. We cannot stress more the importance of stable management of fiscal and foreign exchange policies.

In particular, while closely monitoring downside risks to the economy such as high oil prices and global interest rate hikes during the 2nd half, we will have to ensure meticulous implementation of all the plans and measures included in the Economic Policy Direction for the Second Half.

Second, we should double our efforts for job creation.

Creating jobs is a core task in the shared growth strategy given that employment is a most effective catalyst to achieve growth and distribution at the same time.

Enterprises are the source of decent jobs. To boost entrepreneurship, it is crucial to drastically improve the regulations pertaining to the entire spectrum of business activities from entry to exit. Better investment environment has to be provided to foreign companies, let alone domestic ones.

We have to come up with concrete implementation plans as fast as possible to bring our business environment, currently ranked somewhere between the 20th and the 30th best, up to the level of advanced economies. To that end, close cooperation is much needed with not only economic government ministries and agencies but also non-economic government ministries and agencies as well as the private sector.

An effective way to cope with globalization and population aging is to increase flexibility in the labor market as well as to reduce dead zones in labor stability. To this end, we should push for the revision of the Industrial Relations Act and an enactment of a law on non-regular workers at the earliest possible time. Revitalization of labor market supply depends on enhanced government's social responsibility in the areas of childcare, women, senior citizens and the disabled.

We will introduce the workfare system that encourages the able and willing to work through the Earned Income Tax Credit, job placement and the wage peak system. Tertiary education reform is also crucial in elevating employability.

The government should keep pursuing policies of making the service industry value-added, regional innovation and the win-win strategy between large companies and SMEs. Competition-hindering insider trading and competition-restraining protection mechanisms should all be driven away from the normal business practice.

We should spread out the growth momentum to all sectors from large companies to SMEs, and from manufacturing to services, and from the metropolitan area to regions. Ultimately, the momentum should be heralding job creation.

Third, we should focus on devising fundamental measures ensuring stability of people's livelihood.

We know we cannot solve structural vulnerabilities overnight. Structural vulnerabilities have been derived from the process of overcoming financial crisis such as non-regular workers, small subcontractors and small business owners. We need to make an accurate diagnosis and appropriate prescription with vision.

As for sectors with restructuring difficulties, measures to facilitate restructuring should be combined with support measures such as providing social safety net.

We should make it a priority to draw up concrete measures while easing the difficulties of ordinary people and morally supporting them. We must be able to convince them that things will get better day after day although a quick fix may not be possible.

Fourth, momentum for opening such as the Korea-US (KORUS) FTA should be fully utilized.

Opening and globalization are an unavoidable historical trend. Riding on this wave, upgrading the competitiveness of our entire economic system is directly correlated with the survival of our economy.

It is time for us to make a step forward from the debate on the need for the KORUS FTA. The time has come for us to come up with the way to maximize benefits to our economy while minimizing adverse effects.

Detailed measures by the industry should be developed. Related legal and institutional frameworks are required as well.

We should persuade and convince parties in interest through full consultation with clear plans and directions.

Fellows and colleagues,

All I have elaborated needs two things to make it happen. They are change and innovation. The public perception of MOFE is far more critical than we think.

I cannot help but sympathize with my colleagues and staff at MOFE when I am reminded of your dedication despite difficulties.

But we cannot afford to be discouraged. More than ever before, our courage and passion are called for. Theodore Roosevelt, a great statesman of the 20th century, once said, “Far better is it to dare mighty things, to win glorious triumphs, even though checkered by failure... than to rank with those poor spirits who neither enjoy nor suffer much, because they live in a gray twilight that knows not victory nor defeat.” He laid the foundation, with courage and passion, to make the 20th century the time of Great America. Roosevelt was excellent in turning his place into one with most attention and importance no matter where he might be. That is how he contributed to his country.

Calling on MOFE for change and innovation is the order of the day. We must not miss this precious opportunity to reconfirm MOFE as the backbone institution for economic and social policies.

We must keep asking ourselves on the role and function of MOFE and reflect ourselves with a stricter yardstick.

Having said that, let me share with you my personal views on the future direction of MOFE.

■ Role of MOFE as Grand Designer

First, we should strive to keep MOFE as a key player in formulation of the national economic policy. The time is such that our major national policy agendas are evolving in line with those of advanced economies.

Policy agendas should be pursued meeting the demands of the time not just in the sphere of economic policy but also in the sphere where economic and social policies meet. MOFE's participation in major economic policies of each and every ministry has to be decided and carried out from a broad-based perspective.

We need to support their policies utilizing our own policy tools such as taxation and finance. We do have differences in views on certain issues with other ministries and interest groups. But, that is a secondary issue. What is more important is that we come to terms with it and fine-tune the differences through various coordinating mechanisms.

I am willing to personally meet working level officials to hear from them as often as possible and at times to persuade them.

Second, we should change the way we work.

Governance in the process of policy implementation should be advanced. Criticisms on MOFE have largely been attributable to weak governance.

To improve governance, private capacities should be borrowed and best utilized. Capacities from within the government alone are not sufficient to solve the broad-based tasks. But this does not stop us from upgrading our internal transparency and accountability.

We should be at the forefront of reading international trends and listen to policy customers. We should be able to analyze problems down to the root and come up with rational alternatives. There maybe times when we request the Presidential Commission on Policy Planning for assistance. One viable way is to take advantage of our own finance and economy attachés stationed abroad to benchmark advanced countries' policy system and make them our outposts in analyzing international trends.

■ Closing

Fellows and colleagues,

A finance and economy ministry, in any country regardless of its developmental stage, is the most important state institution responsible for economic and social policies. We shall keep this in mind. And this is the spirit we have to carry all the time. I urge you to make MOFE play the role of Grand Designer in its full sense presenting people with the vision for the Korean economy and leading agenda-setting.

Fruits of change and innovation do not appear overnight. With patience, let us move forward day by day.

Let us take pride that MOFE is an agent of change. If we change, the rest will follow suit. Let us put together our ability, wisdom and courage in moving forward toward an advanced economy and society.

Thank you.

The Green Book



Current Economic Trends

Overview

The Korean economy swiftly recovered from the second half of 2005. In the first half of 2006, the economic growth was gradually stabilizing in tandem with potential. Despite deteriorating external conditions, the economy realized a solid growth of 5.7 percent year on year with prices being stable, including a consumer prices increase of 2.4 percent.

However, due to high oil prices, the current account balance was reduced to a deficit of US\$270 million with the balance nearing zero. Employment maintained trend growth with an increase of 307,000. However, it fell slightly short of the initial forecast.

Production activity in both manufacturing and services took an upturn posting 11 percent and 5.7 percent growth each in the first half, albeit slight moderation of services in June.

With respect to expenditure, private consumption was on a solid upward track growing 4.6 percent in the first half. Improvement in facility investment and exports was strengthened with 7.3 percent and 13.9 percent growth respectively.

However, construction investment recorded a negative growth of 1.9 percent, which was more sluggish than expected. It was attributable to the sluggish public sector due to base effect and ongoing contraction in the industry cycle.

Amid continued downside risks from international oil prices and the global economy, a possibility of slower-than-expected real economy in July cannot be ruled out due to temporary factors such as autoworkers strikes and heavy rain. Temporary factors are expected to be redressed gradually with the government policy efforts.

In view of the recent economic trend, the economy overall is estimated to have continued growth in tandem with potential despite external uncertainties.

However, the recent economic sentiment was weak in stark contrast to the robust real economic indicators.

The government will cope with the economic conditions by fine-tuning policies by sector and maintaining macroeconomic policy stance, while closely monitoring the external conditions and their influence on the domestic economy.

1 Global Economy

The global economy maintained solid growth in the second quarter of 2006 while the US economy posted a slight slowdown. The burden of high oil prices is gradually translating into the real economy with inflationary pressures putting up prices, while the OECD composite leading indicators deploy slowdown for the second consecutive month since April.

US

The US economy recorded a 2.5 percent (*preliminary, annualized*) growth during the second quarter, a substantial downfall from 5.6 percent in the first quarter. The downswing is attributable to sluggishness in facility investments, on top of dull private consumption and housing market. In July 2006, the Federal Reserve Board (FRB) has forecast the US growth in 2006 to be in the range of 3.25 to 3.5 percent, citing that the recent US economy is in a transition period toward a sustainable growth.

As the high energy price has furthered the rise in commodities and services prices, the inflationary pressure has been amplified including the increase of the Core CPI (excluding energy, food and beverage). However, taking into account a slowdown in the US economy during the second quarter, the market view is that FRB's rate-raising policy trend has neared its end.

	(Percentage change from previous period)							
	2005				2006			
	Annual	Q2	Q3	Q4	Q1	Q2	May	Jun
Real GDP ¹	3.2	3.3	4.2	1.8	5.6	2.5	-	-
Personal consumption expenditure	3.5	4.2	3.9	0.8	4.8	2.5	-	-
Corporate fixed investment	6.8	5.2	5.9	5.2	13.7	2.7	-	-
Residential purpose construction investment	8.6	20.0	7.1	-0.9	-0.3	-6.3	-	-
Industrial production	3.2	0.3	0.3	1.3	1.3	1.6	0.2	0.8
Retail sales	7.2	2.3	2.1	0.5	3.2	0.9	0.1	-0.1
New non-farm payroll employment (thousand)	2,035	536	510	412	560	397	92	121
New housing sales ¹	6.8	2.2	1.0	-1.3	-13.3	3.8	0.5	-3.0
Core CPI ²	2.2	2.2	2.1	2.1	2.1	2.5	2.4	2.6

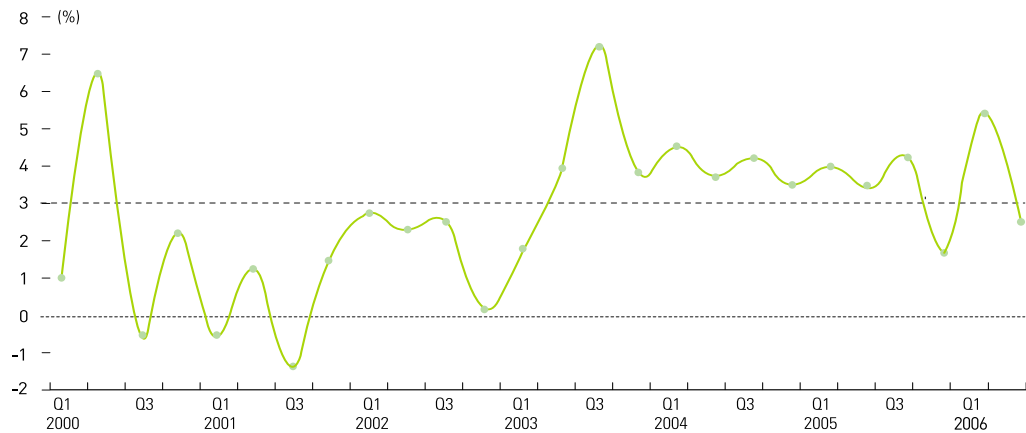
1. Percentage change from previous period, annualized rate

2. Percentage change from same period in previous year

1-1

US GDP (q-o-q, annualized rate)

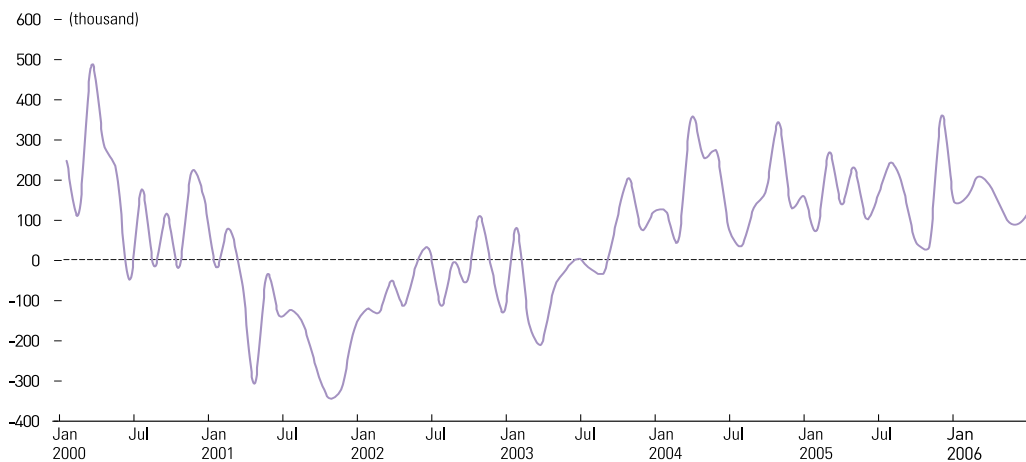
Source: US Department of Commerce



1-2

US non-farm payroll employment (m-o-m change)

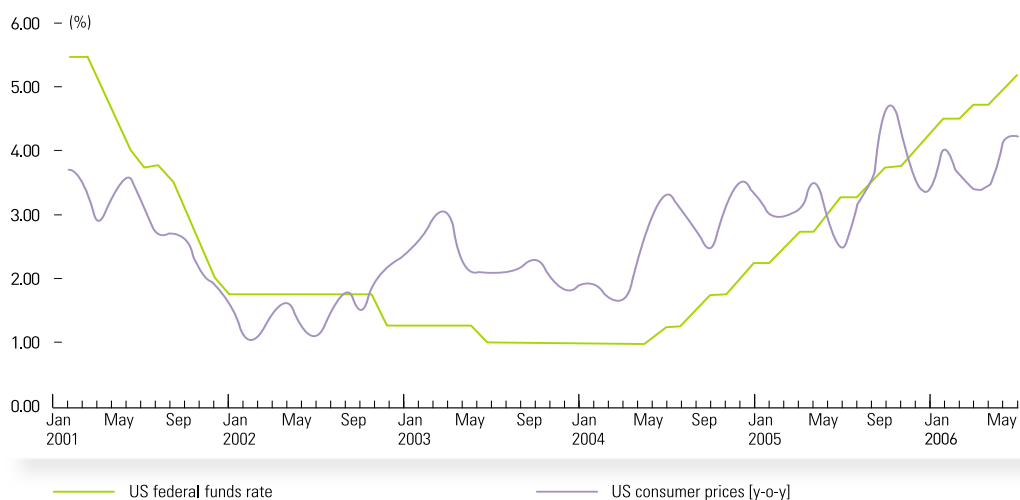
Source: US Department of Labor



1-3

US federal funds rate and consumer prices

Source: US Federal Reserve Board & Department of Labor



China

The Chinese economy in the second quarter posted a record high 11.3 percent growth in 12 years. For the first half of this year, it grew 10.9 percent from a year earlier.

As signs of overheating have become apparent, the People's Bank of China raised the reserve requirement ratio of commercial banks by 0.5 percentage point to 8.5 percent, after raising the benchmark one-year lending rate in April.

(Percentage change from same period in previous year)

	2005				2006			
	Annual	Q2	Q3	Q4	Q1	Q2	May	Jun
Real GDP	9.9	10.1	9.8	9.9	10.3	11.3	-	-
Retail sales	12.9	12.6	12.6	12.7	12.8	13.9	14.2	13.9
Fixed asset investment (accumulated)	27.2	27.1	27.7	27.2	29.8	31.3	30.3	31.3
Industrial production	16.4	16.5	16.2	16.4	15.9	18.0	17.9	19.5
Exports	28.4	30.9	29.1	21.7	26.5	24.0	25.1	23.3

Japan

The Japanese economy continued expansionary trend with substantial increase in June mining and manufacturing output. The consumer prices accelerated the growth as well. Meantime, the Bank of Japan terminated its zero interest rate policy of the past 6 years to raise the overnight call rate by 0.25 percent on July 14, 2006.

(Percentage change from previous period)

	2005				2006			
	Annual	Q2	Q3	Q4	Q1	Q2	May	Jun
Real GDP	2.6	1.3	0.3	1.1	0.8	-	-	-
Mining and manufacturing output	1.1	0.0	-0.5	2.8	0.6	0.8	-1.3	1.9
Retail sales	1.1	0.5	-1.5	-0.1	1.7	-0.3	0.6	0.1
Unemployment rate ¹ (%)	4.4	4.3	4.3	4.5	4.2	4.1	4.0	4.2
Core CPI (y-o-y, %)	-0.1	-0.1	-0.1	0.1	0.5	0.6	0.6	0.6

1. Seasonally adjusted

Eurozone

Amid moderate recovery on a continual basis, the eurozone economy saw inflationary pressure gradually rise.

(Percentage change from previous period)

	2005				2006			
	Annual	Q2	Q3	Q4	Q1	Q2	May	Jun
Real GDP	1.3	0.4	0.7	0.3	0.6	-	-	-
Industrial production	1.3	0.8	0.9	0.6	1.1	-0.7	1.6	-
Retail sales	1.3	-0.2	0.7	0.3	0.2	1.0	-0.6	-
Consumer prices (y-o-y, %)	2.2	2.0	2.3	2.3	2.3	2.4	2.5	2.5

1-4

China's GDP and fixed asset investment

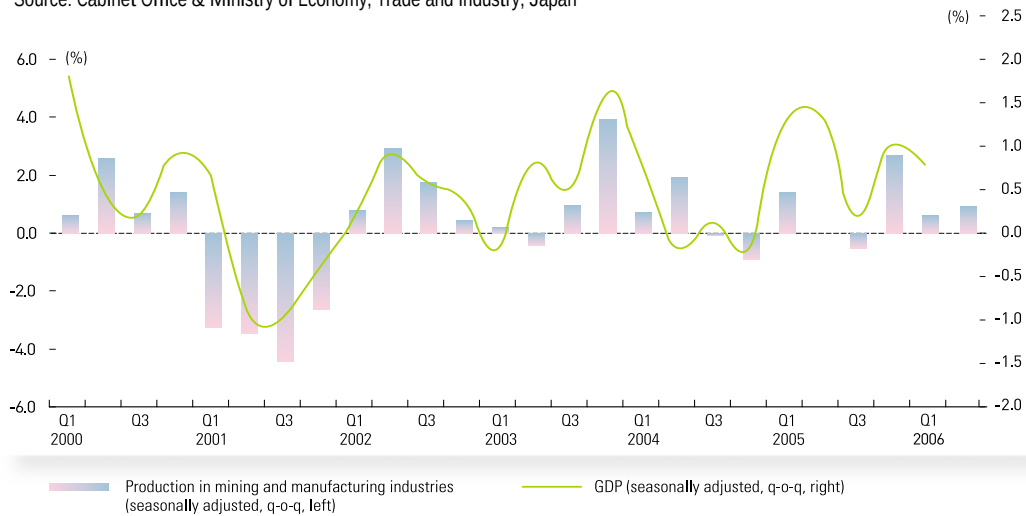
Source: National Bureau of Statistics of China



1-5

Japan's GDP growth

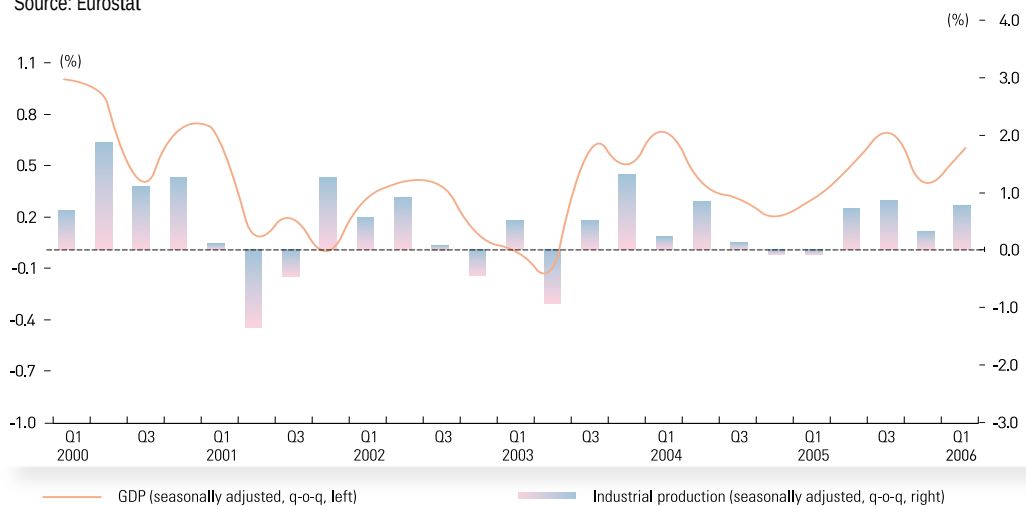
Source: Cabinet Office & Ministry of Economy, Trade and Industry, Japan



1-6

Eurozone GDP growth and industrial production

Source: Eurostat



2 Private consumption

Private consumption in the second quarter rose 4.4 percent from a year earlier (*preliminary, GDP*) driven by increased consumption in consumer goods including durable, semi-durable and non-durable goods. Compared with the previous quarter, it gained 0.9 percent.

Private consumption

(y-o-y, %): 1.6 (Q1 2005) ➡ 3.0 (Q2) ➡ 4.0 (Q3) ➡ 4.2 (Q4) ➡ 4.8 (Q1 2006) ➡ 4.4 (Q2)

(SA*, q-o-q, %): 0.5 (Q1 2005) ➡ 1.4 (Q2) ➡ 1.0 (Q3) ➡ 1.1 (Q4) ➡ 1.3 (Q1 2006) ➡ 0.9 (Q2)

* SA: seasonally adjusted

Consumer goods sales in June increased 5.2 percent from a year earlier on the back of substantial increase in durable goods sales. In a seasonally adjusted term, they gained on-month 0.8 percent. For the second quarter, they expanded the on-year growth compared to the previous quarter with a 5.4 percent increase.

	2005					2006				
	Q1	Q2	Jun	Q4	Annual	Q1	Q2 ¹	Apr	May ¹	Jun ¹
Consumer goods sales	1.2	3.4	3.5	6.8	3.9	5.0	5.4	5.1	5.8	5.2
(Seasonally adjusted) ²	0.2	1.9	1.5	2.2	-	-1.3	2.2	0.0	1.5	0.8
- Durable goods ³	2.9	6.3	7.1	7.5	5.9	10.8	8.6	5.5	8.2	12.2
• Automobiles	-2.6	4.7	18.3	18.5	9.5	22.6	8.1	11.0	9.9	3.8
- Semi-durable goods ⁴	2.6	7.2	9.8	11.7	7.9	7.4	6.7	8.9	7.3	3.7
- Non-durable goods ⁵	-0.3	0.3	-0.8	3.8	1.3	1.2	2.9	2.8	3.7	2.4

1. Preliminary

2. Percentage change from previous period

3. Durable goods (25.4%): Automobiles, electronic appliances, furniture, telecommunications devices, etc.

4. Semi-durable goods (24.0%): Clothing, footwear, etc.

5. Non-durable goods (50.5%): Food, medicine, cosmetics, fuel, tobaccos, etc.

Department store and large discount store sales continued the upward trend while other retail store sales moved back to the positive territory as well.

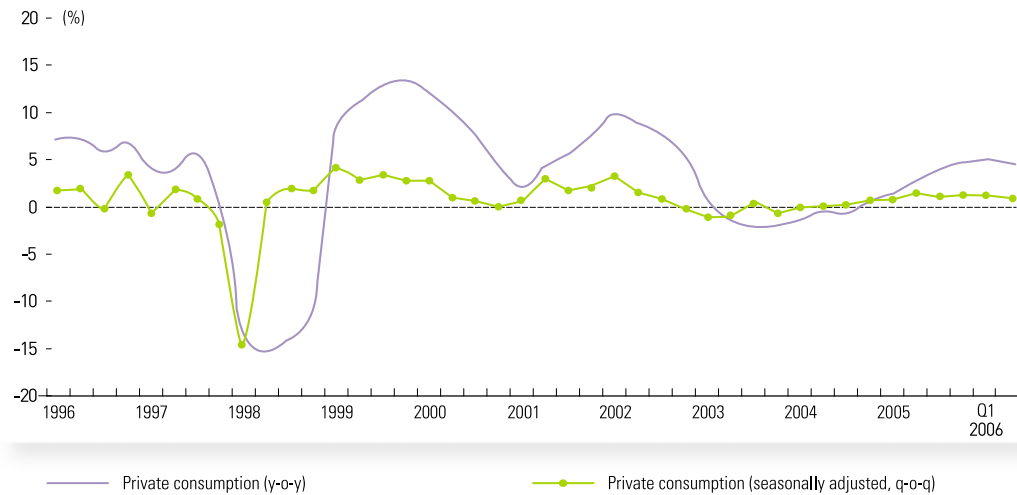
	2005					2006				
	Q1	Q2	Jun	Q4	Annual	Q1	Q2 ¹	Apr	May ¹	Jun ¹
- Department stores	-1.4	0.8	-0.8	8.2	3.1	7.9	5.6	6.7	5.3	4.6
- Large discount stores	6.7	7.7	8.4	11.6	8.3	6.4	9.0	9.8	10.1	7.1
- Other retail stores	-0.8	1.2	0.0	0.1	-0.1	-3.0	-0.2	-2.0	-0.4	1.6

1. Preliminary

2-1

Private consumption

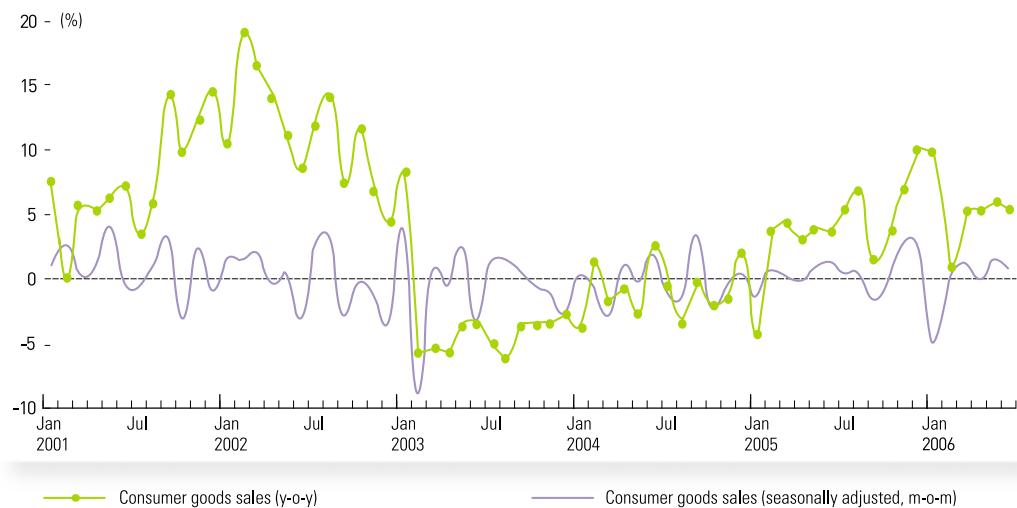
Source: The Bank of Korea (national accounts)



2-2

Consumer goods sales

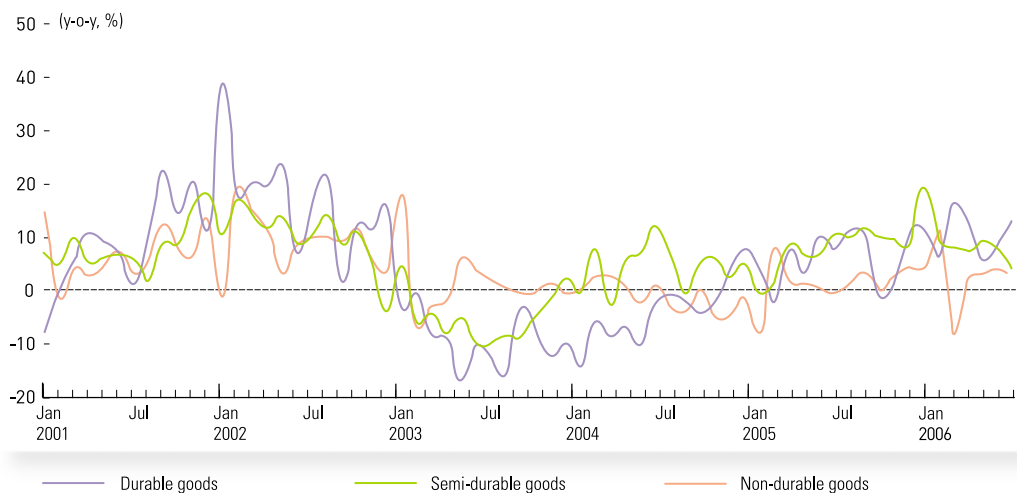
Source: Korea National Statistical Office (industrial activity trend)



2-3

Consumer goods sales by type

Source: Korea National Statistical Office (industrial activity trend)



Preliminary consumption indicators in July were pointing to sluggishness affected by temporary factors including strikes and heavy rain. Consumer confidence was weakened as well.

Sales at department stores and large discount outlets reversed course to post negative growth while the value of credit card use sustained a double-digit growth.

Department store sales (y-o-y, %)

6.3 (Mar 2006) ➡ 8.2 (Apr) ➡ 7.6 (May) ➡ 4.8 (Jun) ➡ -0.1 (Jul)

Discount store sales (y-o-y, %)

2.1 (Mar 2006) ➡ 3.1 (Apr) ➡ 2.6 (May) ➡ 1.0 (Jun) ➡ -0.1 (Jul)

Source: Ministry of Commerce, Industry and Energy

Ministry of Finance and Economy (July 2006, monitoring results on current sales volume basis)

Value of credit card use (y-o-y, %)

17.6 (Mar 2006) ➡ 15.6 (Apr) ➡ 16.3 (May) ➡ 14.6 (Jun) ➡ 11.3 (Jul)

Source: The Credit Finance Association

Domestic sales of home-manufactured automobiles declined by a large margin due mainly to disruption in production and sales arising from strikes.

Domestic sales of home-manufactured automobiles

(thousand units): 102 (Mar 2006) ➡ 90 (Apr) ➡ 93 (May) ➡ 101 (Jun) ➡ 75 (Jul)

(y-o-y, %): 9.7 (Mar 2006) ➡ -4.0 (Apr) ➡ 1.6 (May) ➡ -0.9 (Jun) ➡ -26.5(Jul)

Household consumer confidence has been weakened as well.

Consumer expectations index (base=100)

104.5 (Jan 2006) ➡ 103.8 (Feb) ➡ 103.4 (Mar) ➡ 100.6 (Apr) ➡ 98.0 (May) ➡ 97.4 (Jun)

Source: Korea National Statistical Office

Private consumption will likely prolong its stable upward trend despite temporary dragging-down factors. Sustained growth in real household income and improving employment conditions are expected to prop up private consumption in synergy.

Income and employment indicators

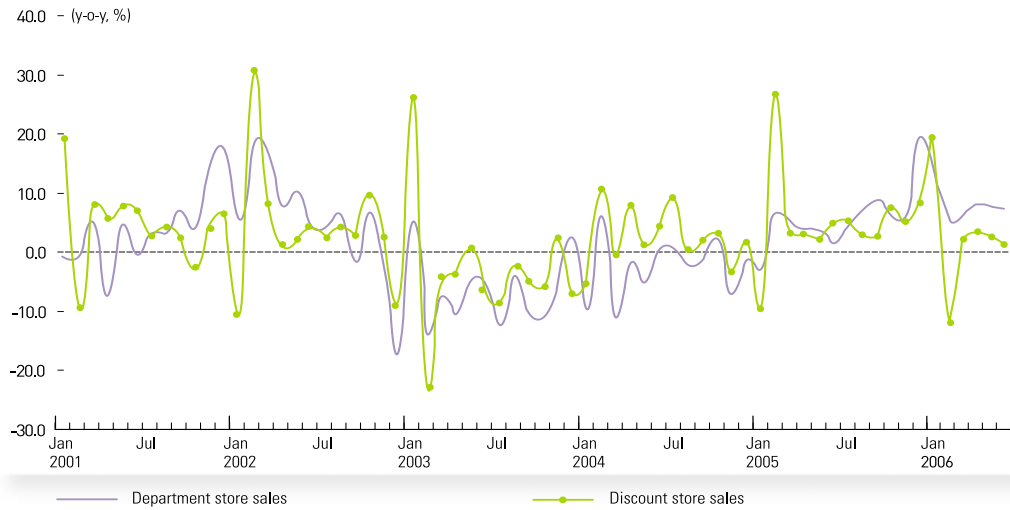
	(Growth rate, %)								
	2002	2003	2004	2005				2006	
				Q1	Q2	Q3	Q4	Q1	Q2
Real GNI	7.0	1.9	3.9	0.4	0.1	0.3	1.2	1.3	1.7 ¹
Real household income (urban workers)	3.6	1.7	2.2	1.9	1.6	0.6	2.3	2.3	-
Changes in number of employed (y-o-y, thousand)	597	-30	418	143	382	379	292	331	283

1. Gross Domestic Income

2-4

Department store and discount store sales (current value)

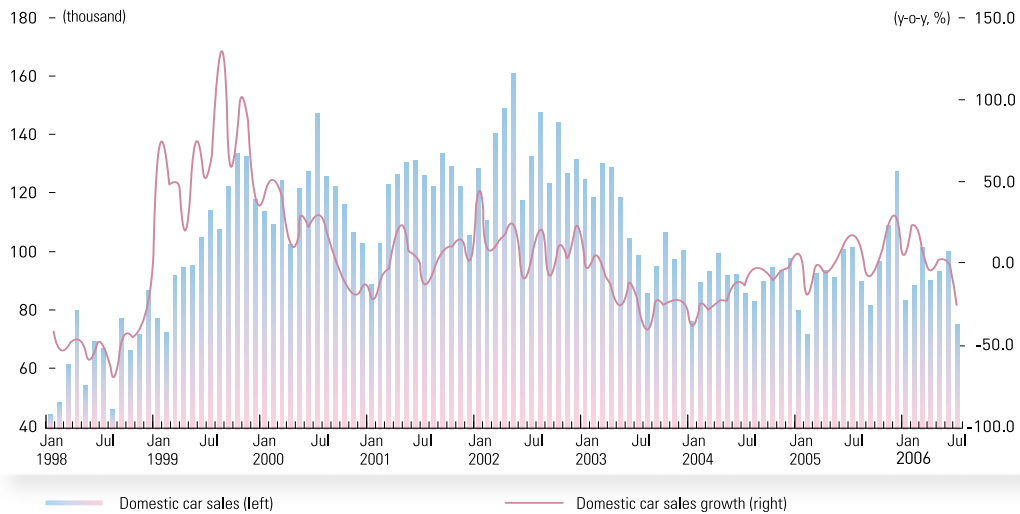
Source: Ministry of Commerce, Industry and Energy (monthly retail sales)



2-5

Domestic automobile sales

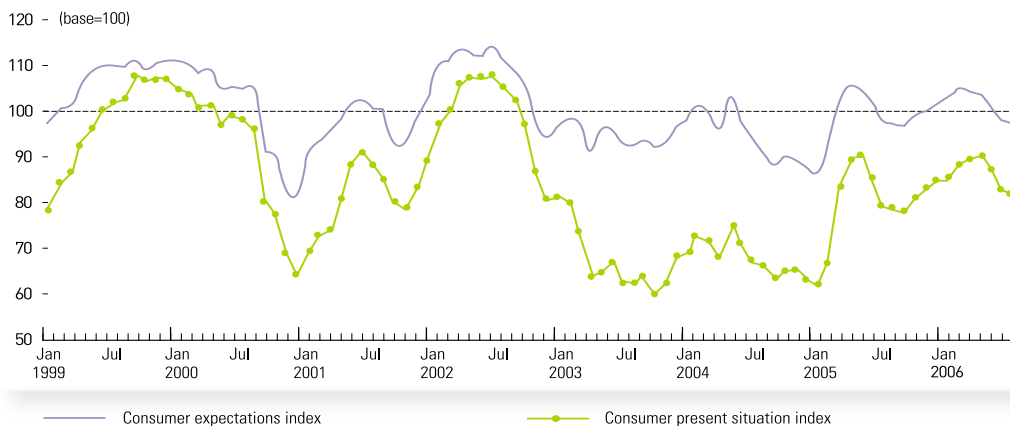
Source: Korea Automobile Manufacturers Association (monthly automobile industry trend)



2-6

Consumer expectations index and present situation index

Source: Korea National Statistical Office (monthly consumer survey index)



3 Facility investment

Facility investment in the second quarter of 2006 (*preliminary GDP*) increased 7.7 percent from the same period of previous year, led by bolstered machinery investments by a large margin. Its growth pace has been accelerated from the previous quarter, posting an on-quarter 2.8 percent increase.

(Percentage changes from same period in previous year)

	2005 ¹					2006 ¹	
	Q1	Q2	Q3	Q4	Annual	Q1	Q2
Facility investment ²	2.9	2.7	4.3	10.2	5.1	6.9	7.7
(Seasonally adjusted) ³	2.3	2.4	0.8	4.2	-	-0.4	2.8
- Machinery	7.2	6.0	4.7	9.3	6.8	3.2	-
- Transportation equipment	-14.4	-10.5	2.4	15.1	-2.7	25.7	-

1. Preliminary 2. National accounts 3. Percentage change from previous period

Facility investment in June (*estimated index*) posted on-year 2.1 percent increase due to base effect. Meantime, facility investment in the second quarter edged up 4.2 percent from a year earlier, similar to the on-year 4.3 percent growth in the first quarter. Facility investment is likely to continue an upward trend as the related leading indicators such as machinery orders and machinery imports post a relatively robust pace.

Domestic machinery shipments also climbed up by 1.8 percent in June and 4.0 percent in the second quarter from a year earlier, respectively. Domestic machinery orders (*current value basis*) in June posted on-year 34.9 percent increase led by surging public sector orders centering on rail motors; the machinery orders gained 20.9 percent during the second quarter from the same period last year.

(Percentage changes from same period in previous year)

	2005					2006				
	Q1	Q2	Jun	Q4	Annual	Q1	Q2 ¹	Apr	May ¹	Jun ¹
Estimated facility investment ²	3.9	1.4	-3.7	7.0	3.4	4.3	4.2	7.1	2.5	2.9
- Domestic machinery shipments	-0.3	-1.1	-3.3	1.8	0.6	4.9	4.0	1.3	9.2	1.8
Domestic machinery orders	-6.9	-12.2	-12.2	17.5	1.5	11.2	20.9	15.3	12.6	34.9
- Public	7.8	-51.3	-67.4	17.1	-3.1	-57.9	43.3	-30.9	-16.5	160.9
- Private	-8.4	-7.1	1.1	17.6	2.0	19.9	19.3	18.6	14.4	25.1

1. Preliminary 2. Industrial activity

Machinery imports recovered a double digit growth.

Machinery imports (%)

25.1 (Mar 2006) → 22.9 (Apr) → 14.6 (May) → 7.8 (Jun) → 12.3 (Jul 1~20)

The Business Survey Index (BSI) for facility investment result in the manufacturing sector compiled by the Bank of Korea, remained unchanged while BSI for facility investment prospect marginally decreased from the previous month.

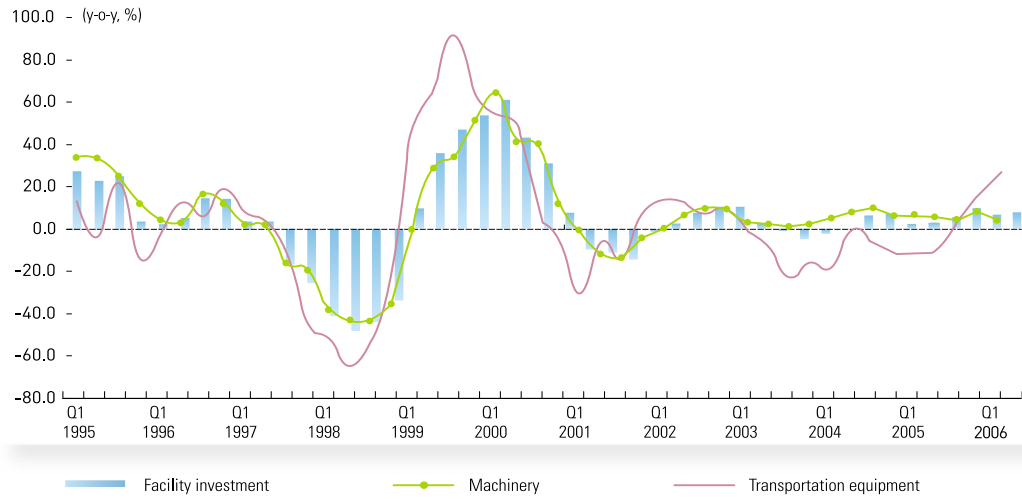
Business Survey Index (base=100)	2006					
	Mar	Apr	May	Jun	Jul	Aug
Manufacturing facility investment result	100	99	100	98	98	-
Manufacturing facility investment prospect	100	101	101	98	99	98

Source: The Bank of Korea

3-1

Facility investment by type

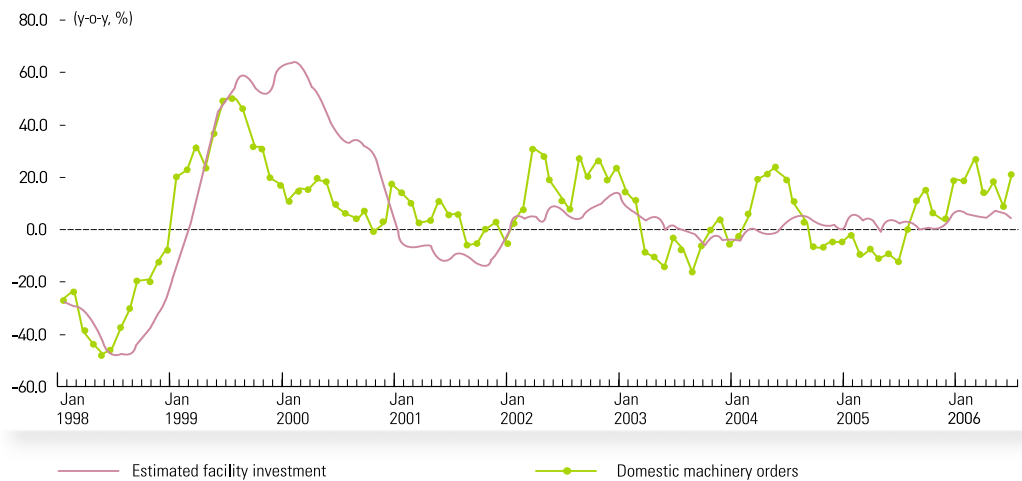
Source: The Bank of Korea (national accounts)



3-2

Machinery orders and estimated facility investment (3-month average)

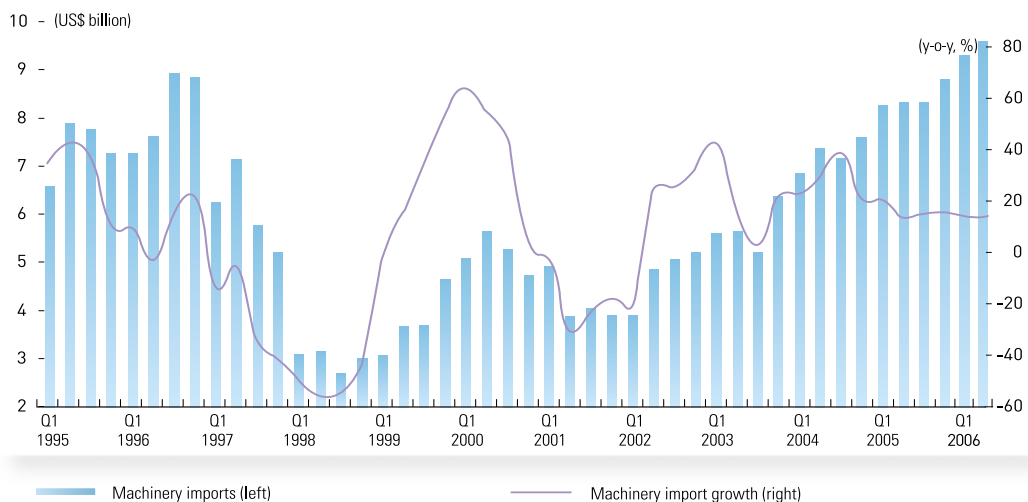
Source: Korea National Statistical Office (industrial activity trend)



3-3

Machinery imports

Source: Korea International Trade Association (KITA)



4 Construction investment

Construction investment in the second quarter of 2006 (*preliminary GDP*) witnessed a lower than expected performance, down 4.0 percent from the same period in previous year. This is attributable to substantial decline in building construction and civil engineering works.

(Percentage change from same period in previous year)

	2005 ¹					2006 ¹	
	Q1	Q2	Q3	Q4	Annual	Q1	Q2
Construction investment ²	-2.2	1.6	0.3	0.9	0.4	1.2	-4.0
(Seasonally adjusted) ³	0.4	1.8	-0.8	0.0	-	0.6	-3.9
- Building construction	-6.4	0.6	-0.5	1.3	-1.0	2.0	-
- Civil engineering works	6.8	3.1	1.5	0.4	2.4	-0.3	-

1. Preliminary 2. National accounts 3. Percentage change from previous period

Domestic construction completed (*current value*) in June registered a low-hanging growth of an on-year 0.8 percent increase led by sluggish performance in the public sector reflective of frontloading of SOC projects last year.

(Percentage change from same period in previous year)

	2005					2006				
	Q1	Q2	Jun	Q4	Annual	Q1	Q2 ¹	Apr	May ¹	Jun ¹
Construction completed ²	1.9	9.6	10.6	6.9	5.7	5.8	1.3	2.0	1.0	0.8
- Construction	-0.1	9.7	10.5	5.3	5.1	6.5	0.1	2.0	-1.5	-0.1
- Civil engineering works	6.4	10.1	11.2	9.8	7.3	4.4	3.9	1.9	6.6	3.2
Construction orders	22.3	38.5	37.1	-17.9	9.5	-9.7	-14.1	-18.8	-17.9	-7.7
Building construction permit area	0.6	-0.6	-26.4	-8.2	-5.1	13.0	7.4	-8.2	-21.1	64.9

1. Preliminary 2. Industrial activity

Construction investment-related leading indicators were sluggish. Domestic construction orders (*current value basis*) remained sluggish affected by high comparison base. The building construction permit area in June surged by a large margin, which was assessed to be a temporary increase arising from the introduction of infrastructure cost sharing system in effect from July.

The Business Survey Index (BSI) for construction investment result compiled by the Construction and Economy Research Institute of Korea, continued to deteriorate.

Business Survey Indexes (base=100)	2006				
	Mar	Apr	May	Jun	Jul
Construction investment result	70.8	70.0	79.1	55.7	-
Construction investment prospect	94.0	115.7	93.1	80.9	61.3

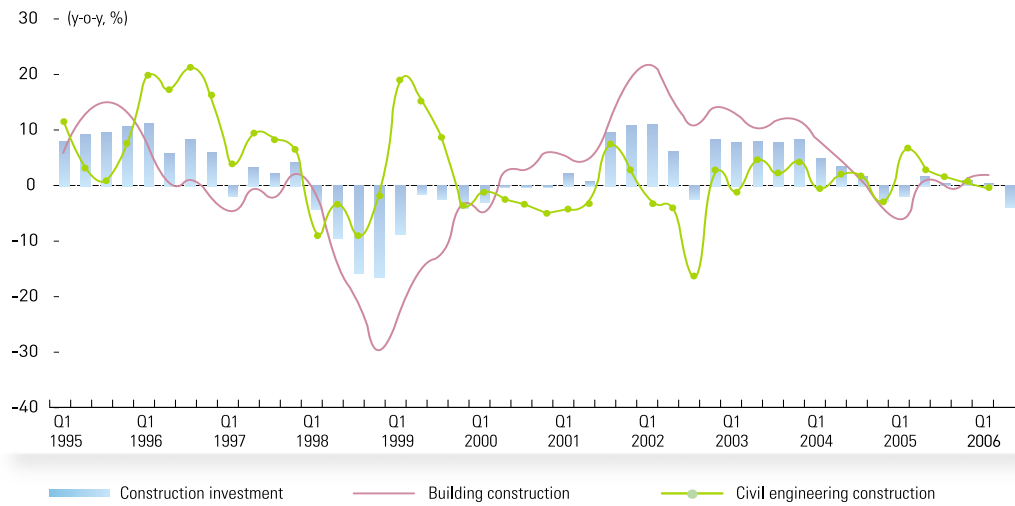
Source: The Construction and Economy Research Institute of Korea

Overall, the downward trend in construction, centering on the private sector, is forecast to continue for the time being. However, as the role of the public sector (fiscal execution, public rental housing, etc.) is expected to progressively expand in the second half, it is projected to compensate the sluggishness in construction to a certain extent.

4-1

Construction investment

Source: The Bank of Korea (national accounts)

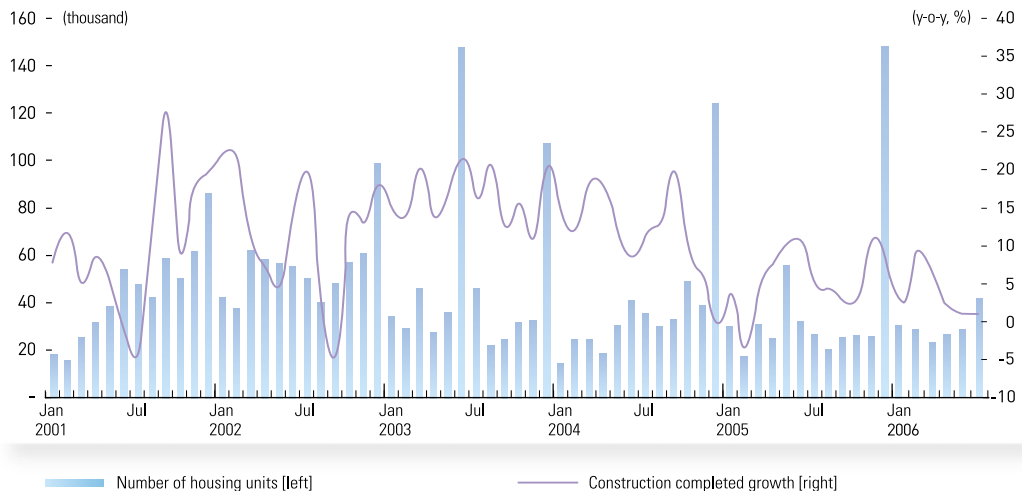


4-2

Construction completed and housing construction

Source: Korea National Statistical Office (construction completed)

Ministry of Construction and Transportation (housing construction)

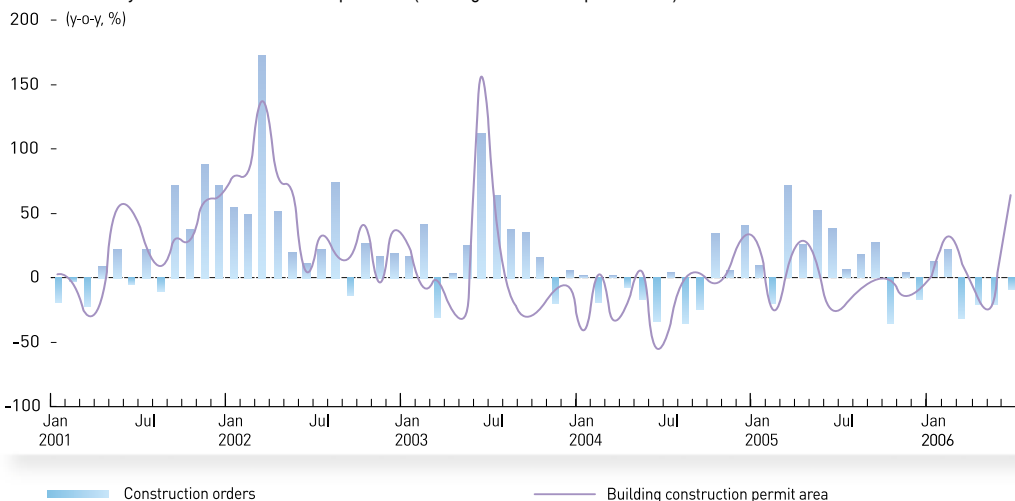


4-3

Leading indicators of construction investment

Source: Korea National Statistical Office (construction orders)

Ministry of Construction and Transportation (building construction permit area)



5 Exports and imports (customs clearance basis)

June exports recorded US\$26.13 billion, up 12.4 percent from a year earlier, and continued a robust double-digit growth, despite decreased days operated (from 23.5 days to 22.5 days) and strikes in the automobiles sector.

Average daily exports posted a robust US\$1.16 billion on-year 17.4 percent increase.

By export category (*estimated, Ministry of Commerce, Industry and Energy*), automobile (*down 30.6 percent*) and wireless telecommunication equipments (*up 3.4 percent*) were sluggish, while petroleum goods (*up 64.1 percent*), ships (*up 51.6 percent*) and steels (*up 27.2 percent*) made fair gains.

(US\$ billion)

	2005				2006			
	May	Jun	Jul	Jan-Jul	May	Jun	Jul	Jan-Jul
Exports	23.12	23.71	23.24	159.75	27.94	28.11	26.13	181.63
(y-o-y, %)	11.0	9.5	10.6	10.7	20.8	18.6	12.74	13.7
Average daily exports	1.01	1.03	0.99	1.01	1.21	1.22	1.16	1.14

Imports continued a high upward trend to post US\$25.46 billion in July with an on-year increase of 18.4 percent. Imports of raw materials recorded substantially high growth pace on the back of rising oil prices, while imports of consumer and capital goods maintained the upward track.

Raw materials (%)

29.0 (Jan 2006) → 32.7 (Feb) → 11.5 (Mar) → 13.0 (Apr) → 28.1 (May) → 30.1 (Jun) → 18.1 (Jul 1-20)

Capital goods (%)

3.6 (Jan 2006) → 19.4 (Feb) → 13.4 (Mar) → 12.9 (Apr) → 13.2 (May) → 9.4 (Jun) → 6.5 (Jul 1-20)

Consumer goods (%)

12.0 (Jan 2006) → 26.9 (Feb) → 19.8 (Mar) → 20.1 (Apr) → 22.6 (May) → 22.0 (Jun) → 14.0 (Jul 1-20)

(US\$ billion)

	2005				2006			
	May	Jun	Jul	Jan-Jul	May	Jun	Jul	Jan-Jul
Imports	21.16	21.29	21.51	145.83	26.06	25.95	25.46	173.93
(y-o-y, %)	18.3	14.8	17.0	15.3	23.1	21.9	18.4	19.3
Average daily exports	0.92	0.93	0.92	0.92	1.13	1.13	1.13	1.09

Trade balance in July achieved a surplus of US\$0.67 billion, slightly down from the pervious month as imports surged by a large margin.

(US\$ billion)

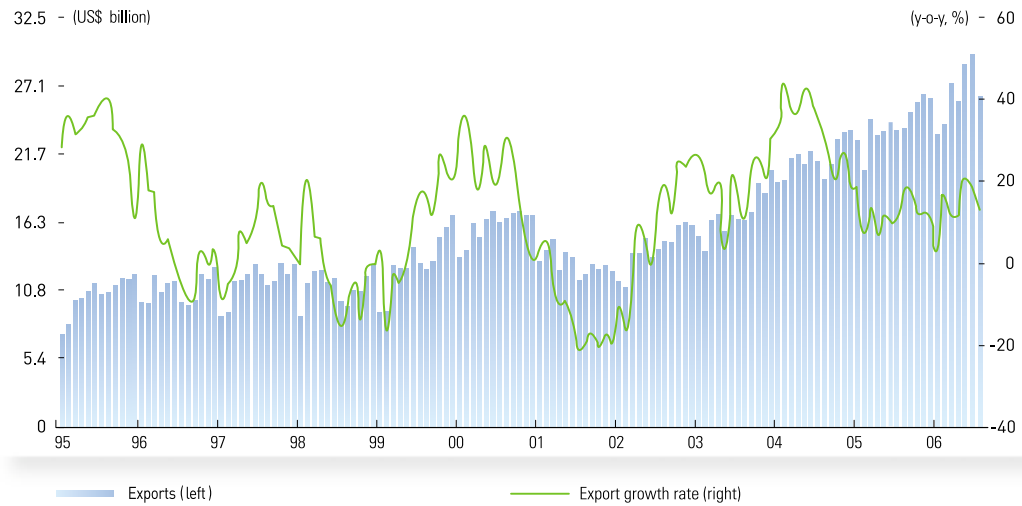
	2005				2006			
	May	Jun	Jul	Jan-Jul	May	Jun	Jul	Jan-Jul
Trade balance	1.96	2.42	1.73	13.92	1.88	2.16	0.67	7.7

Overall, taking into account the expected increase in automobiles exports in August compensating the aftermath of strikes, robust exports are forecast to continue.

5-1

Exports (customs clearance basis)

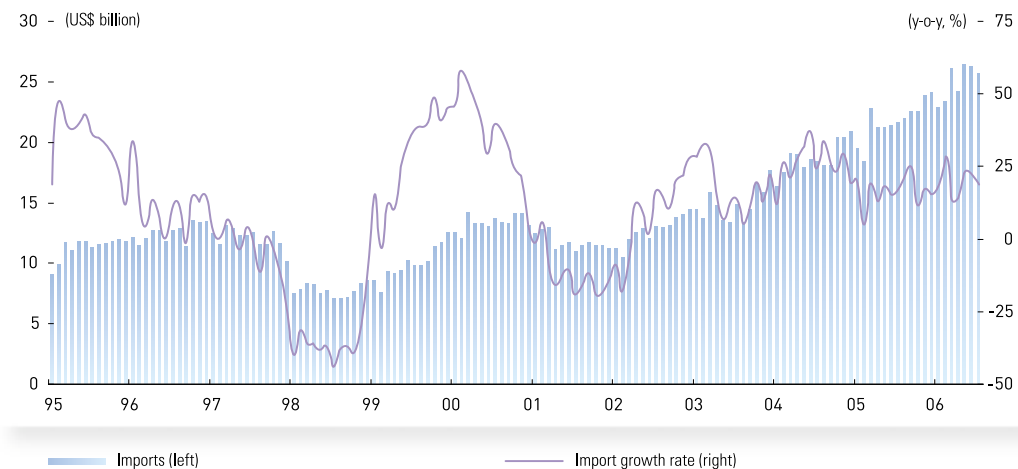
Source: Ministry of Commerce, Industry and Energy (export and import trend)



5-2

Imports (customs clearance basis)

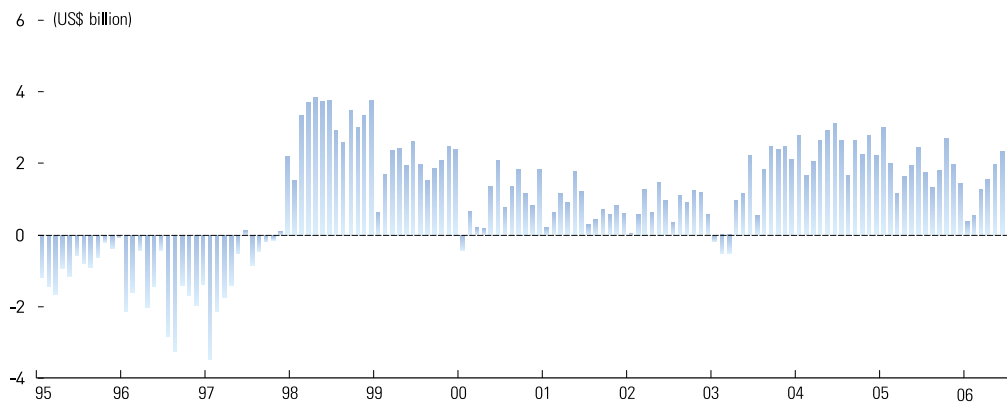
Source: Ministry of Commerce, Industry and Energy (export and import trend)



5-3

Trade balance

Source: Ministry of Commerce, Industry and Energy (export and import trend)



6 Industrial activity

Industrial production in June continued the upward trend as robust gains in semiconductors have been sustained despite disruption in the automobiles production from the partial strikes. It increased 10.9 percent year on year. Production index with days operated factored in climbed on-year 11.4 percent in June and 10.9 percent in the second quarter, respectively.

Compared to the previous month, industrial output grew 1.2 percent on the back of increase in DRAM and display panels.

The average manufacturing operation ratio stood at 81.9 percent, up 1.3 percentage points from the previous month while the inventory level increased to 7.6 percent year on year. The higher inventory level was mainly driven by semiconductor inventory increase of a 47.7 percent as was in the previous month. The accumulated inventory has been intended by the industry bracing for demand expansion from the second half. Excluding semiconductors, inventory rose 3.0 percent.

Inventory cycle index, which analyzes business cycle by factoring in changes in shipment and inventory, suggests the continued improvement in the manufacturing industry.

(Percentage change from same period in previous year)

	2005				2006			
	Q2	Jun	Q4	Annual	Q1	Q2 ¹	May ¹	Jun ¹
Industrial production index	3.5	3.7	10.3	6.3	12.0	10.9	12.1	10.9
- Semiconductors	12.1	14.2	41.9	24.8	39.8	42.0	42.5	41.1
- Automobiles	11.1	15.1	8.9	8.4	15.4	8.4	12.5	4.7
(Seasonally adjusted) ²	0.0	1.9	5.5	-	3.1	-0.4	1.8	1.2
Average operation ratio (%)	79.6	79.0	80.2	79.8	82.0	81.5	80.5	81.9
Total producer inventory	8.9	9.1	2.4	2.4	3.7	3.7	4.8	7.6

1. Preliminary

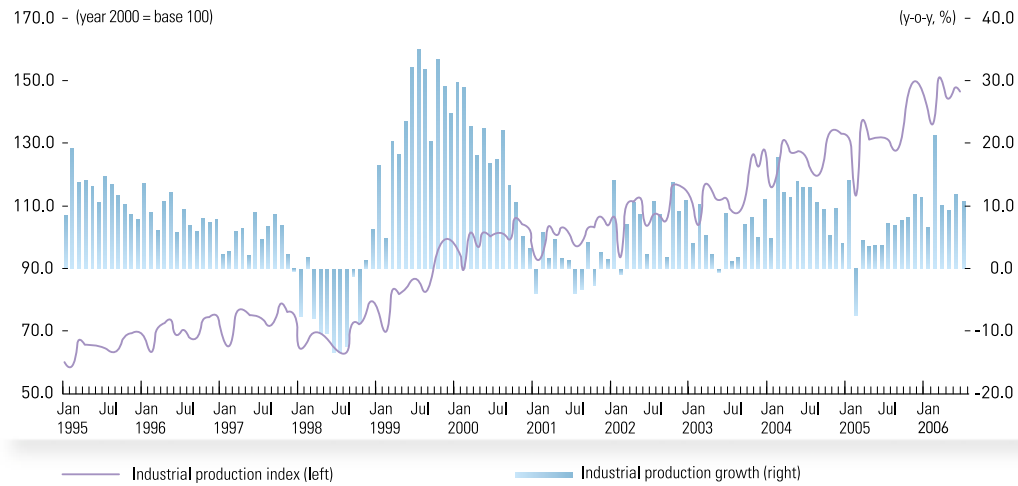
2. Percentage change from previous period

Industrial output is projected to maintain the upward trend in July as exports continue to make solid gains. However, the growth pace is expected to moderate due to production disruption in the automobiles caused by strikes.

6-1

Industrial production

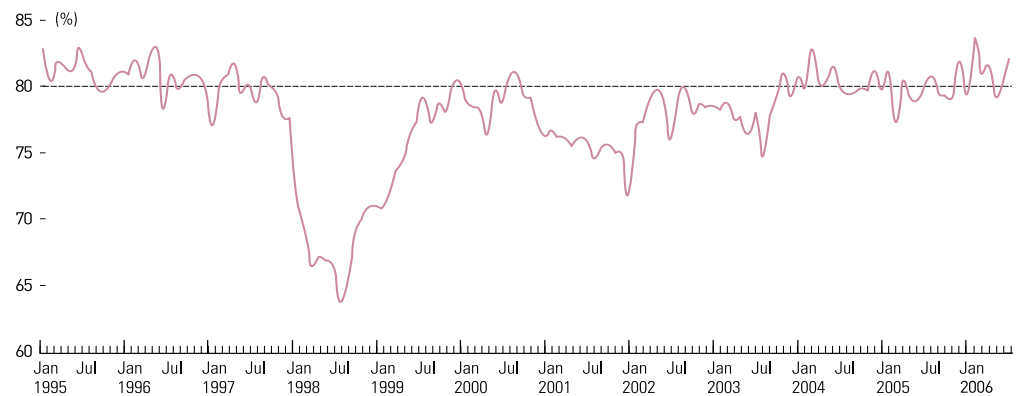
Source: Korea National Statistical Office (industrial activity trend)



6-2

Average manufacturing operation ratio

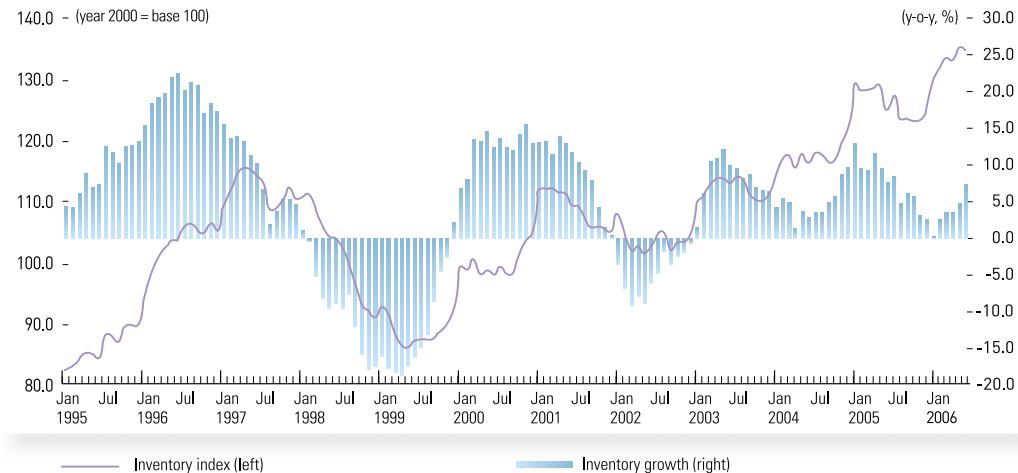
Source: Korea National Statistical Office (industrial activity trend)



6-3

Inventory

Source: Korea National Statistical Office (industrial activity trend)



7 Service sector activity

Service sector activity in June has sustained trend growth since the second half of 2005 with an increase of 4.5 percent from a year earlier, albeit slight moderation. Service output in the second quarter also posted a slight moderation, growing 5.3 percent year on year.

All eleven business categories of the service sector expanded output although slower growth was observed in several service businesses such as financial and insurance, transportation and educational services.

Most industries contributed evenly to the total sector growth of 4.44 percent in June with financial and insurance services (1.13 percentage points) and wholesale and retail sales (1.02 percentage points) leading the way.

(Percentage change from same period in previous year)

	Weight	2005			2006					
		Jun	Q4	Annual	Q1	Q2 ¹	Apr	May ¹	Jan ¹	Contri- bution ²
Service industry activity index	100.0	2.8	5.8	3.6	6.1	5.3	5.8	5.6	4.5	4.44
(Seasonally adjusted) ³	-	1.2	1.6	-	1.3	0.7	0.5	0.1	0.1	-
- Wholesale & retail	27.6	2.4	3.4	1.9	3.3	3.8	3.4	4.1	3.7	1.02
- Hotels & restaurants	7.7	-1.8	3.0	0.3	3.9	2.4	3.4	2.3	1.7	0.13
- Transportation	8.8	3.1	5.4	4.2	6.4	6.4	6.1	7.6	5.3	0.47
- Communication services	5.8	1.9	4.7	4.1	2.3	2.9	4.0	2.0	2.6	0.15
- Financial & insurance services	17.6	6.0	13.9	7.3	13.2	9.4	11.9	9.8	6.4	1.13
- Real estate & renting	5.4	5.5	9.2	8.5	10.5	8.3	9.7	7.8	7.6	0.41
- Business services	8.5	1.8	4.7	2.8	5.8	6.1	6.2	6.0	6.2	0.53
- Educational services	8.6	-2.3	-0.2	0.7	1.3	2.7	2.3	3.8	1.9	0.16
- Healthcare & social welfare services	4.0	7.9	9.4	7.3	11.2	7.1	6.7	8.7	5.7	0.23
- Entertainment, cultural and sports services	3.5	3.8	4.4	3.0	4.9	2.6	2.5	2.6	2.7	0.09
- Other public & personal services	2.6	2.0	3.3	1.9	4.7	4.1	3.0	4.7	4.5	0.12

1. Preliminary

2. Contribution to June growth (%p)

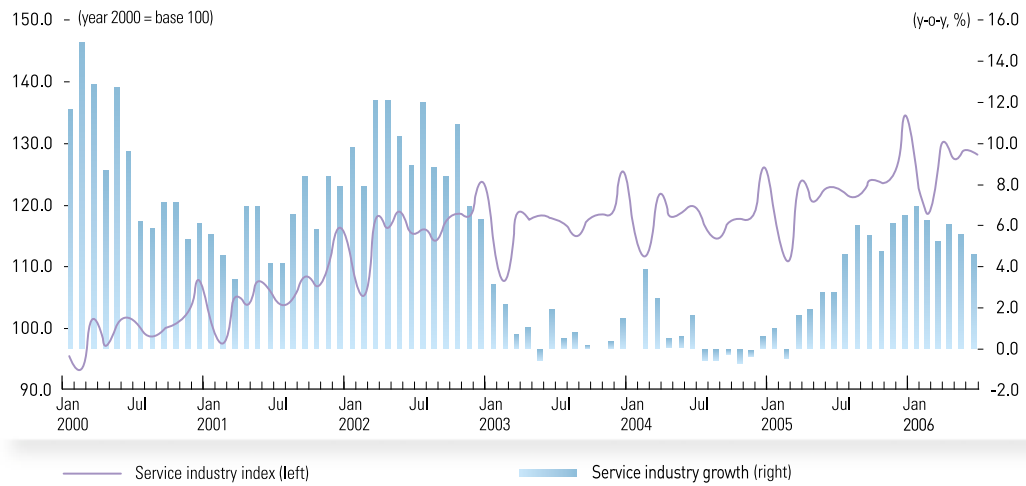
3. Percentage change from previous period

Service sector output is expected to stay on the uphill reflective of stable domestic demand. The growth pace, however, is forecast to slightly moderate as the sector has gained momentum since the second half of last year while consumer sentiment is weakening. In particular, factors such as heavy rainfall and strikes might trigger additional slowdown in July service sector activity.

7-1

Service industry

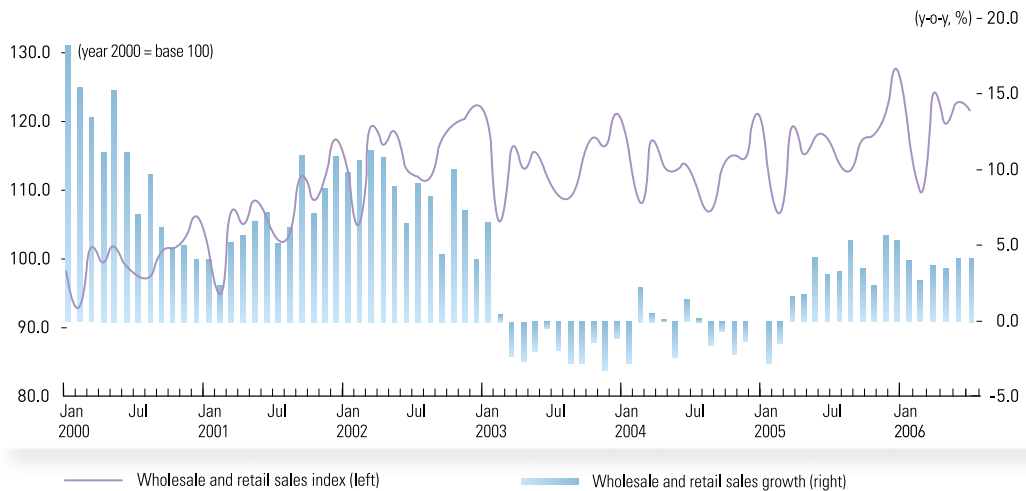
Source: Korea National Statistical Office (service industry activity trend)



7-2

Wholesale and retail sales

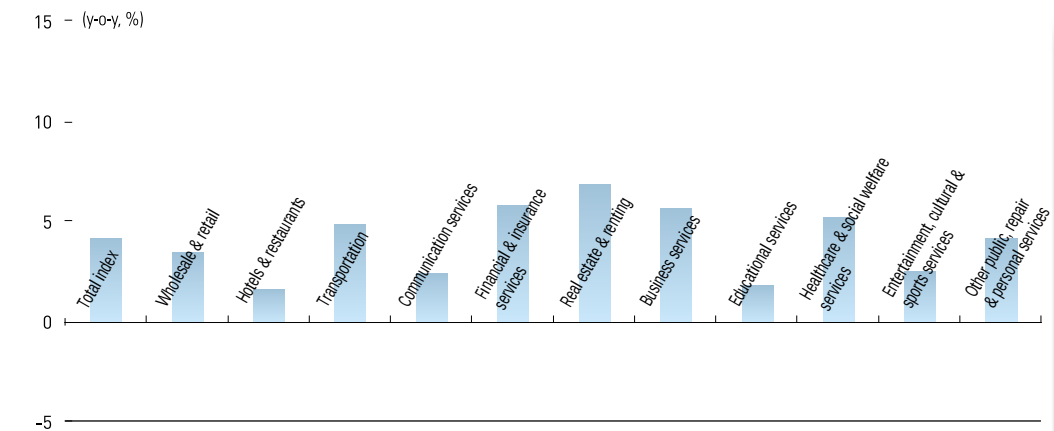
Source: Korea National Statistical Office (service industry activity trend)



7-3

June 2006 service industry by business

Source: Korea National Statistical Office (service industry activity trend)



8 Employment

The number of workers on the payroll in June increased 255,000 on-year. The marginal slowdown is attributable to the high comparison base set a year earlier and negative growth in the construction sector. During the first half of this year, the number of employed expanded by 307,000 from a year earlier exceeding the 300,000 mark.

The number of employed in the service sector maintained robust gains with an increase of 388,000 in June. Jobs growth in business services such as R&D, engineering, judicial scriveners and tax accountants reached 137,000 having exceeded the 100,000 level for the fourth consecutive month. Wholesale and retail sales continued the downward trend with a decrease of 34,000, while hotels and restaurants, closely linked to the domestic demand, edged up by 2,000 in June, posting the third consecutive monthly increase.

Employment in the manufacturing sector fell 68,000 in June. The decline, however, has been decelerated for three months in a row, gradually reflecting robust industrial production and exports in time lag.

Hiring in the construction sector, however, reversed to the negative territory for the first time in 6 months, decreasing 15,000 in June due mainly to sluggishness in the construction completed. Employment in agricultural, forestry and fishery sector posted 50,000 decreases in June, continuing the trend decrease.

The unemployment rate stood at 3.4 percent, down 0.2 percentage point from a year earlier while the youth unemployment rate was up 0.2 percentage point to 8.0 percent. The exceptional rise in June youth unemployment was partly attributable to the 2006 World Cup in June. During the period, young people have led to the streets cheering in support for Korea's matches, resulting in a substantial slowdown in the decrease of the number of unemployed youth.

(Change from same period in previous year, thousand)

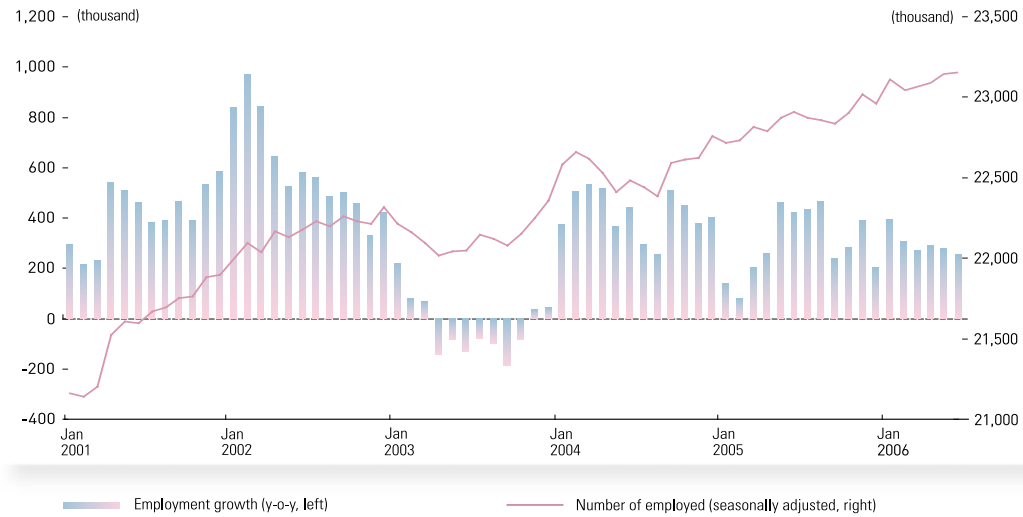
	2005				2006				
	Jun	Q3	Q4	Annual	Q1	Q2	Apr	May	Jun
Employment growth	424	379	293	299	331	283	307	286	255
- Agriculture, forestry and fishery	67	32	-36	-9	-34	-65	-87	-60	-50
- Manufacturing	-65	-78	-77	-56	-72	-77	-83	-79	-68
- Construction	66	47	-32	-5	34	0.7	30	5	-15
- Services	352	376	436	368	403	419	449	420	388
Unemployment rate (%)	3.6	3.6	3.5	3.7	3.9	3.4	3.5	3.2	3.4

The number of employed is projected to increase by 350,000 or more in the second half given a relatively low base set a year ago and the scale of fiscal expenditure planned for the second half, and considering the fact that employment usually reflects the economic performance in time lag.

8-1

Number of employed and employment growth

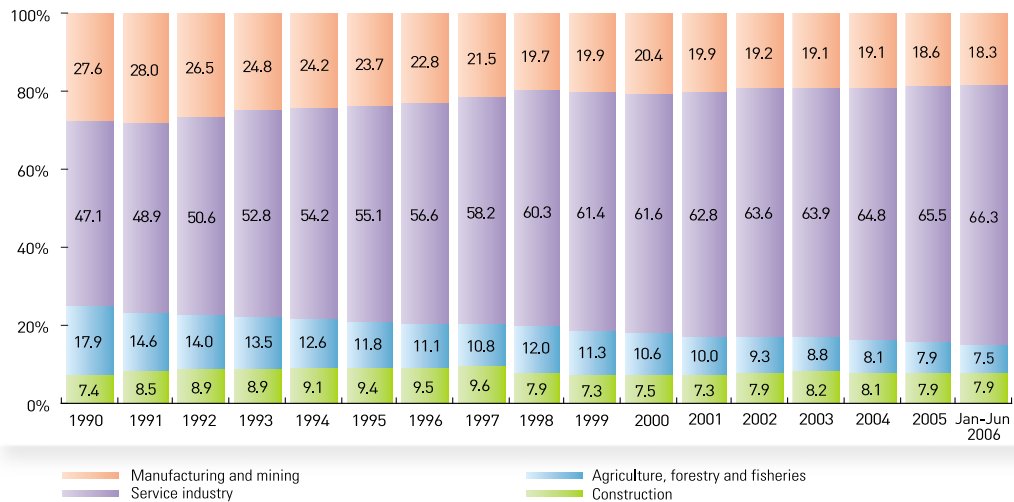
Source: Korea National Statistical Office (employment trend)



8-2

Share of employed by industry

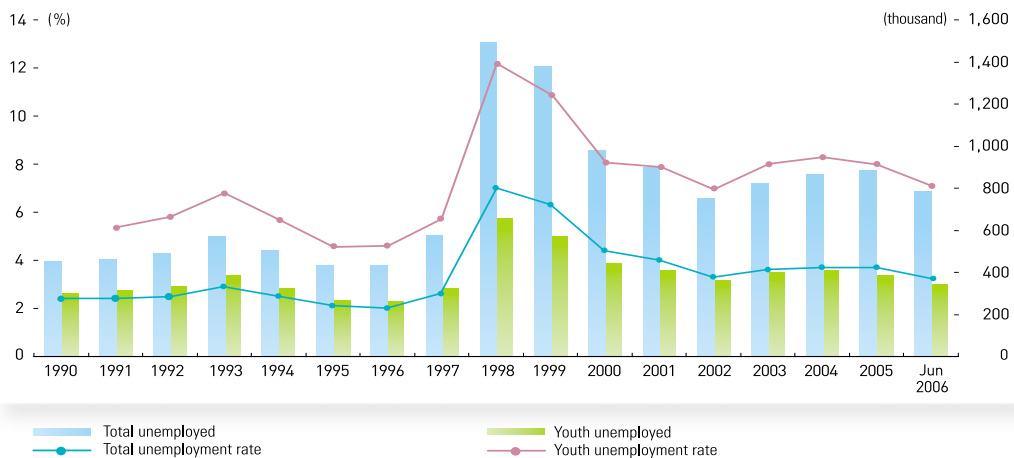
Source: Korea National Statistical Office (employment trend)



8-3

Unemployment rate and number of unemployed

Source: Korea National Statistical Office (employment trend)



9 Financial markets

9.1 Stock market

Amid higher oil prices, concerns on prospect of rate-raising policy in the US and net selling by foreign investors, the KOSPI fell to 1,233.42 points on July 18. The KOSPI, however, rebounded thereafter to wrap up the month at 1,297.82 points as the market expected the US Federal Reserve Board to end its interest rate hike policy soon. Solid performance of the financial shares also boosted the KOSPI market in July.

The KOSDAQ fell to 539.81 points on July 19 affected by weak investor sentiment, however, it rebounded thereto closing the month at 557.66 points with eased concerns on US interest rate hikes.

In July, net selling by foreign investors amounted to 1,591.5 billion won while net buying by institutional and individual investors was 1,125.8 billion won and 35.5 billion won, respectively.

(End-period, point, trillion won)

	KOSPI			KOSDAQ		
	2005	Jul 2006	Change ¹	2005	Jul 2006	Change ¹
Stock price index	1,379.4	1,297.8	-81.6 (5.9%)	701.8	557.7	-144.1 (20.5%)
Market capitalization	655.1	636.3	-18.8 (2.9%)	70.9	58.1	-12.8 (18.1%)
Average daily trade value	3.2	2.6	-0.6 (18.8%)	1.8	1.1	-0.7 (38.9%)

1. Change from the end of previous year

9.2 Exchange rate

The won/dollar exchange rate in July fluctuated within the narrow band of 940 to 950 won to close the month at the 955 won range.

At the beginning of the month, the won/dollar exchange rate posted a marginal rebound to the 940 won range despite North Korea's test firing of missiles. The exchange rate, however, continued its rise in mid July to reach the 958 won range on July 18 as the dollar gained strength with mounting geopolitical uncertainty in the Middle East.

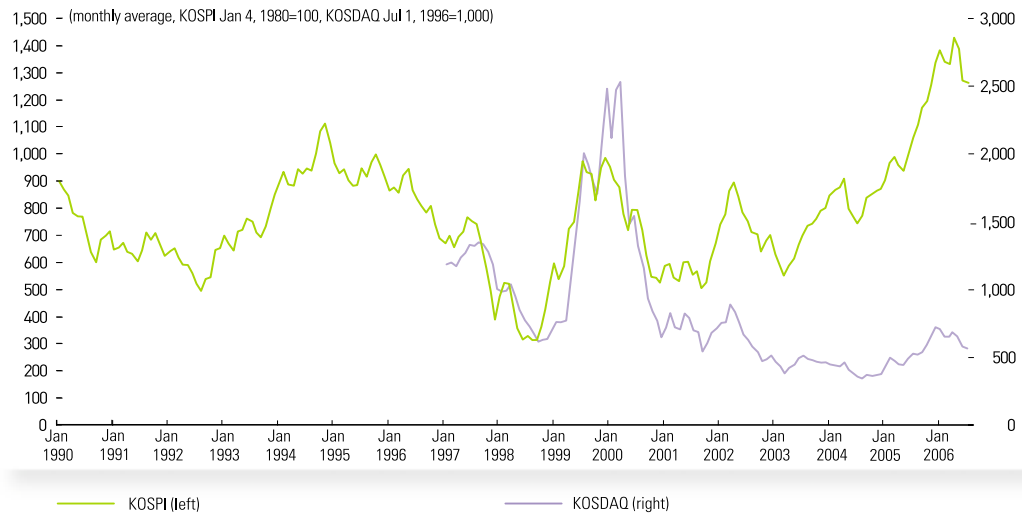
Weak dollar continued toward the end of the month as further interest rate hikes in the US were unlikely. Nonetheless, the extent of the won's appreciation has been quite marginal.

(End-period)

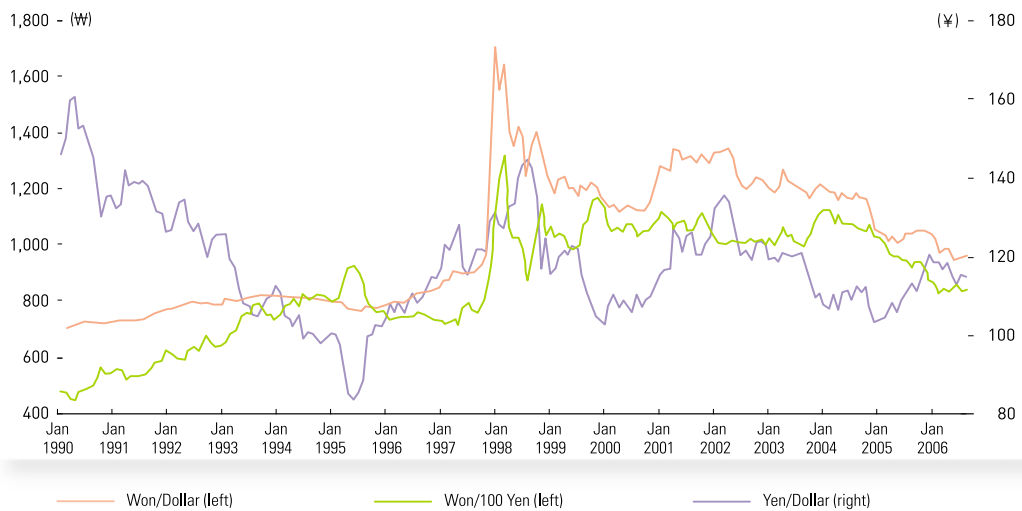
	2004	2005	2006				
	Dec	Dec	Apr	May	Jun	Jul	Change ¹
Won/Dollar	1,035.1	1,011.6	943.4	945.6	948.9	955.2	5.9
Yen/Dollar	102.5	117.8	114.2	112.0	114.5	114.3	3.1

1. Appreciation from the end of previous year (%), the value of Korean won is based on closing price at 3:00 p.m.

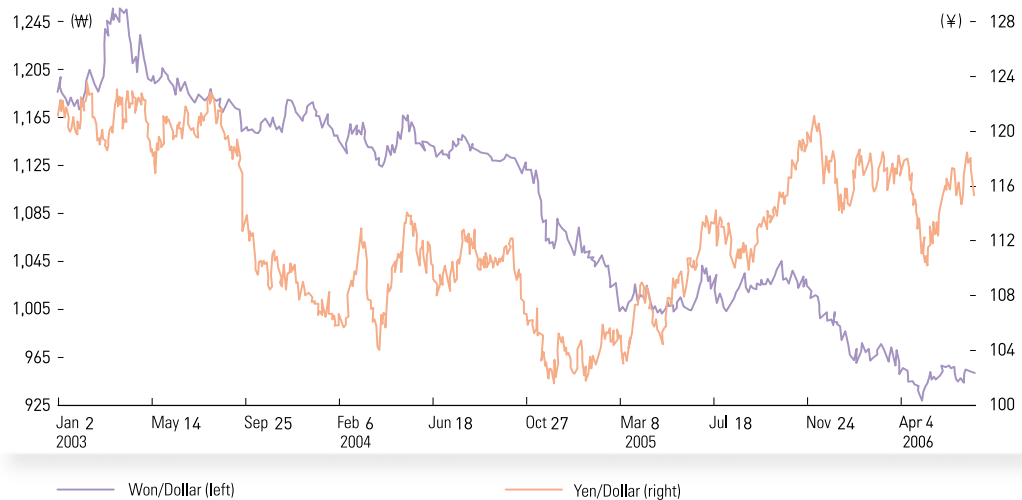
9-1

Stock prices

9-2

Foreign exchange rate (month-end)

9-3

Recent foreign exchange rate

9.3 Bond market

Bond yields, such as the Treasury bond yields, rose in early July affected by concerns on inflation although the Bank of Korea kept the call rate unchanged. The yields, however, reversed course to post decrease toward the end of the month dragged by possible economic slowdown at home and abroad and geopolitical unrest in the world.

However, short-term interest rates such as call rate and yields on 3-month CDs, were up slightly.

(End-period)

	2005			2006					
	Jun	Sep	Dec	Mar	Apr	May	Jun	Jul	Change ¹
Call rate (1 day)	3.27	3.25	3.75	3.97	3.97	3.96	4.21	4.22	47
CD (91 days)	3.54	3.93	4.09	4.27	4.36	4.36	4.59	4.64	55
Treasury bonds (3 yr)	4.02	4.60	5.08	4.93	4.81	4.72	4.92	4.83	-25
Corporate bonds (3 yr)	4.41	5.00	5.52	5.25	5.08	5.00	5.20	5.15	-37
Treasury bonds (5 yr)	4.25	4.83	5.36	5.13	4.98	4.87	5.04	4.93	-43

1. Basis point change from end December 2005

9.4 Money supply & money market

M2 growth in June is estimated to have slightly increased from the previous month to mid 7 percent fueled by substantial increase in private sector credit such as bank loans while money redemption in the overseas sector decreased with less investments in overseas securities by domestic investors and moderation in outbound foreign capital invested in domestic securities.

(Percentage change from same period in previous year, average)

	2005				2006			
	Mar	Jun	Sep	Dec	Mar	Apr	May	Jun ¹
M1	9.4	10.8	12.8	-0.5	-2.7	-3.0	-2.3	Around -3
M2	6.6	7.4	6.6	7.0	6.6	6.8	7.1	Mid 7
Lf ³	6.4	7.2	6.9	7.3	7.0	7.4	7.6 ²	Mid 7

1. Estimates 2. Preliminary 3. Liquidity aggregates of financial institutions (mostly identical with M3)

In June, the growth in bank deposits accelerated substantially to 10.9 trillion won from 6.2 trillion won in May helped by a rise in deposit rates and a special offer of time deposits with higher interest rates. Money market deposit account (MMDA) received substantial amount of money flowed from money market funds (MMFs), which also pushed up bank deposits.

Asset management company (AMC) receipts lost ground posting a substantial drop of 11.7 trillion won in June from a 9.9 trillion won increase in May, as MMFs declined due to a rise in short-term interest rates while money inflow into newly developed funds decreased in the process of stock market correction home and abroad.

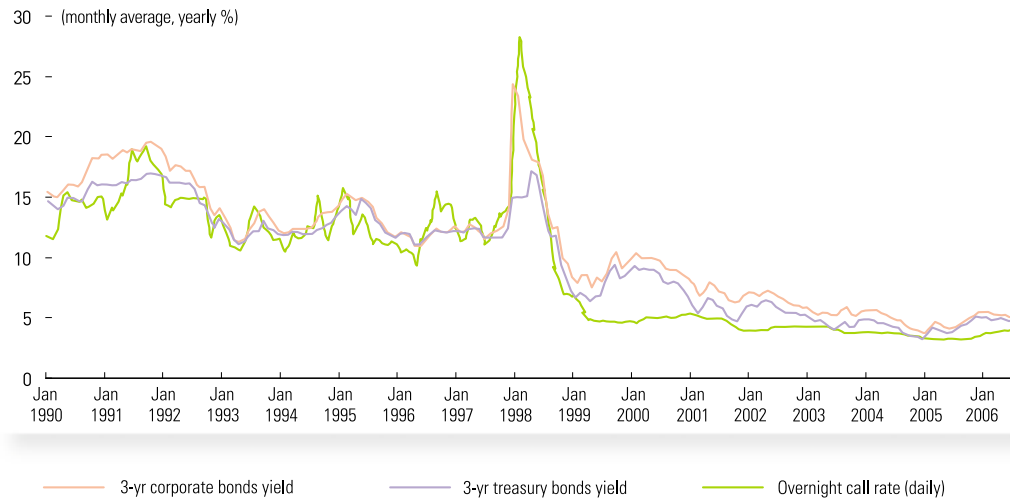
(Monthly change, end-period, trillion won)

	2005							2006				
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Feb	Mar	Apr	May	Jun
Bank deposits	11.9	-3.1	1.4	10.1	-3.2	1.7	5.4	6.3	2.3	2.1	6.2	10.9
AMC receipts	0.0	8.3	0.9	-13.0	1.6	3.1	2.1	6.2	6.9	1.3	9.9	-11.7

9-4

Interest rates

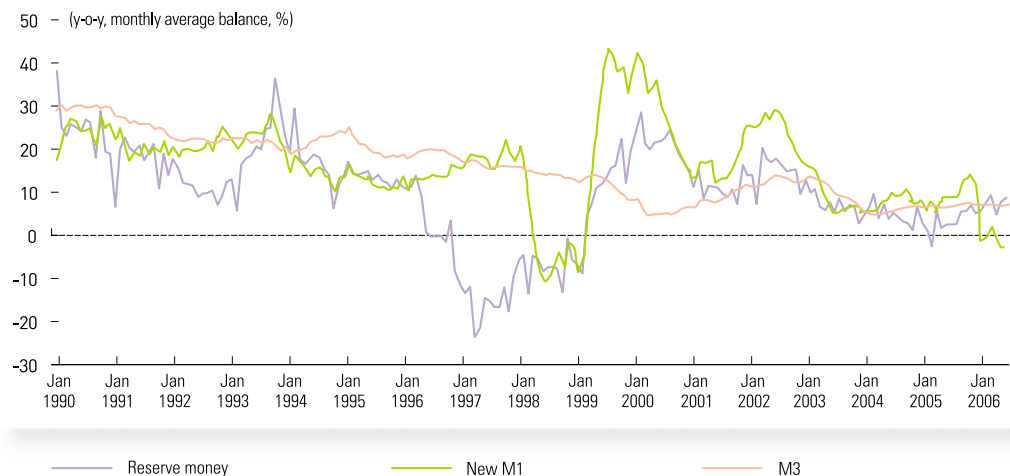
Source: The Bank of Korea



9-5

Total money supply

Source: The Bank of Korea

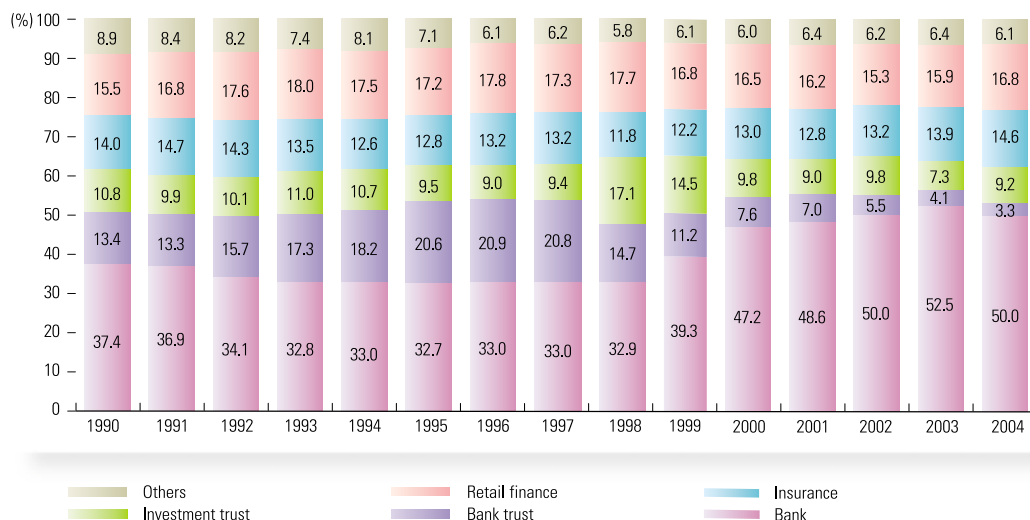


9-6

Share of deposits by financial sector (M3 as of year-end)

Source: The Bank of Korea

* Retail finance: Mutual savings bank & National Credit Union Federation of Korea, Others: Investment banks, post office savings, etc.



10 Balance of payments

The current account recorded a US\$1.1 billion surplus in June while posting a US\$0.27 billion deficit during the first half.

The goods account surplus amounted to US\$2.87 billion, up US\$0.05 billion from the previous month, on the back of strong export growth of 18.6 percent.

The service account deficit narrowed US\$0.17 billion from the previous month to US\$1.18 billion. The travel account recorded a US\$1.05 billion deficit, slightly up from the previous month while the transportation account posted a US\$0.32 billion surplus driven by an increase in ocean freight revenue.

Travel balance (US\$ billion)

-0.74 (Apr 2005) ➔ -0.86 (May) ➔ -0.89 (Jun); -0.9 (Apr 2006) ➔ -0.89 (May) ➔ -1.05 (Jun)

Transportation balance (US\$ billion)

0.30 (Apr 2005) ➔ 0.28 (May) ➔ 0.34 (Jun); 0.08 (Apr 2006) ➔ 0.17 (May) ➔ 0.32 (Jun)

The income account deficit amounted to US\$0.16 billion as overseas dividend payouts by domestic companies with end March fiscal year increased.

The seasonally adjusted current account recorded a US\$0.42 billion surplus in June while that in the first half of the year posted a US\$1.28 billion surplus as well.

(US\$ billion)

	2005				2006			
	Apr	May	Jun	Jan-Jun	Apr	May	Jun	Jan-Jun
Current account	-0.99	1.36	2.24	8.48	-1.61	1.36	1.10	-0.27
(Seasonally adjusted)	0.94	0.55	1.71	9.53	-0.21	1.19	0.42	1.28
- Goods balance	2.33	2.61	3.70	17.80	1.88	2.82	2.87	12.80
- Service balance	-0.95	-1.17	-1.12	-6.24	-1.35	-1.35	-1.18	-8.88
- Income balance	-2.12	0.15	-0.12	-1.84	-1.88	0.39	-0.16	-2.13

The capital and financial account balance realized a net outflow of US\$1.69 billion in June affected by the withdrawal of foreign capitals invested in domestic stocks and increased investments in overseas bonds by domestic investors.

Capital & financial account balance (US\$ billion)

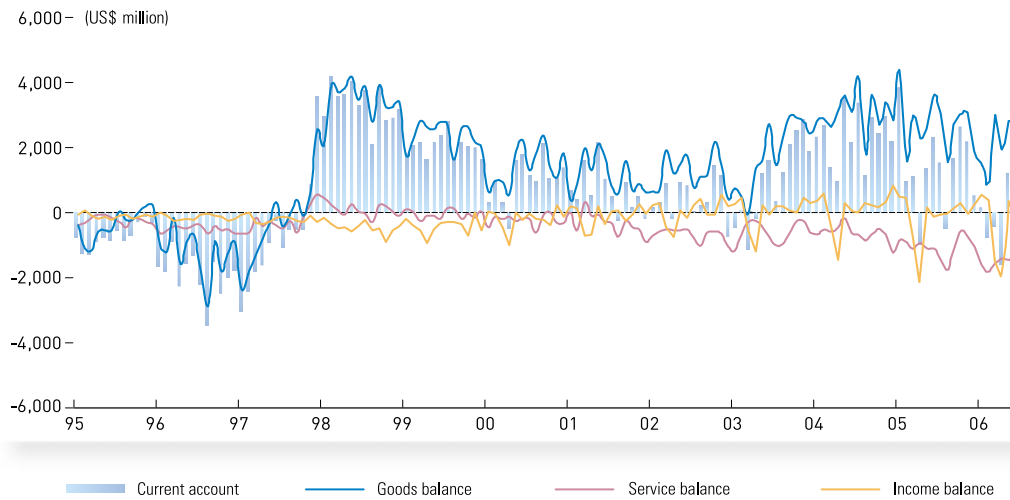
1.96 (Apr 2005) ➔ 0.80 (May) ➔ -1.28 (Jun); 4.86 (Apr 2006) ➔ 0.51 (May) ➔ -1.69 (Jun)

The current account balance in July may deteriorate as the difference between export and import on customs clearance basis decreased from US\$2.16 billion in June to US\$0.67 billion on top of increasing overseas travels during summer holidays.

10-1

Current account balance

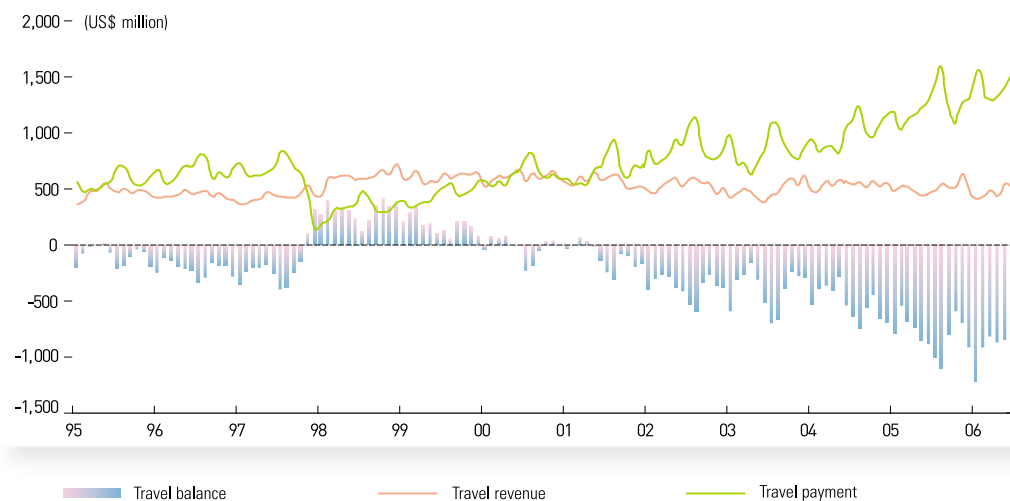
Source: The Bank of Korea (balance of payments trend)



10-2

Travel balance

Source: The Bank of Korea (balance of payments trend)



10-3

Capital & financial account balance

Source: The Bank of Korea (balance of payments trend)



11 Prices and international commodity prices

11.1 Prices

Consumer prices in July rose 2.3 percent year-on-year, maintaining the stable 2 percent range since June 2005.

Consumer price inflation

	2005	2006				
	Jul	Mar	Apr	May	Jun	Jul
Month-on-Month (%)	0.4	0.5	0.1	0.2	-0.2	0.2
Year-on-Year (%)	2.5	2.0	2.0	2.4	2.6	2.3

Prices of agricultural, livestock and fishery products such as fruits and vegetables stabilized falling by 2.8 percent from a year earlier, while housing rents managed to have risen 0.5 percent year on year. Meantime, the price of oil products surged 7.5 percent on-year while public utility charges including city gas fees and subway fares went up by 4.3 percent.

International oil prices (Dubai crude, US\$/barrel)

51.1 (Jul 2005) → 65.2 (Jul 2006)

Consumer price inflation of major items in Jul 2006 (y-o-y, %)

Oil products: 7.5

Cosmetics: 9.5

City gas: 6.7

Subway fares: 3.1

Consumer price inflation in major sectors

(Percentage change from same period in previous year)

	Total	Agricultural, livestock & fishery products	Industrial products	Oil products	Public utility	Housing rents	Personal services
Jul 2006 (Contribution ratio, %p)	2.3	-2.8 (-0.34)	2.8 (0.95)	7.5 (0.48)	4.3 (0.65)	0.5 (0.06)	3.6 (0.98)
Jul average 2001-2005	3.4	6.1	2.7	5.9	3.1	3.7	2.9

Core inflation, excluding volatile food and energy costs, edged up a mere 2.2 percent from a year earlier in July. Consumer price inflation for basic necessities, a barometer of perceived consumer prices, rose 2.9 percent year on year.

(Percentage change from same period in previous year)

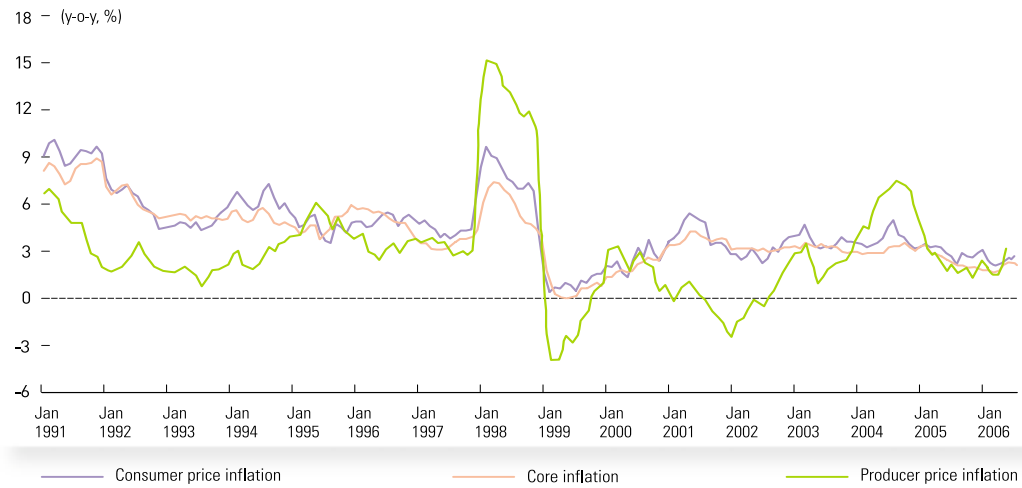
	2005				2006		
	Jul	Nov	Dec	Annual	May	Jun	Jul
Core inflation	2.1	1.9	1.9	2.3	2.0	2.2	2.2
Consumer prices for basic necessities	3.9	3.3	3.7	4.1	2.9	3.4	2.9

Consumer price inflation in August is projected to rise slightly as higher prices of agricultural, livestock and fishery products, especially vegetables, in the wake of heavy rain in July might push up the prices. However, it is expected to maintain the on-year below 3 percent level.

11-1

Prices

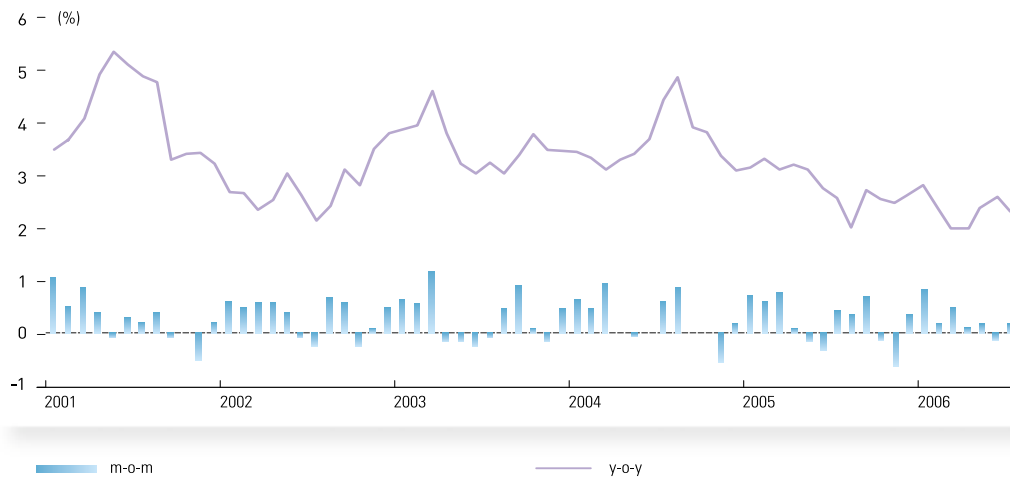
Source: Korea National Statistical Office (consumer prices, core inflation) & The Bank of Korea (producer prices)



11-2

Consumer price inflation

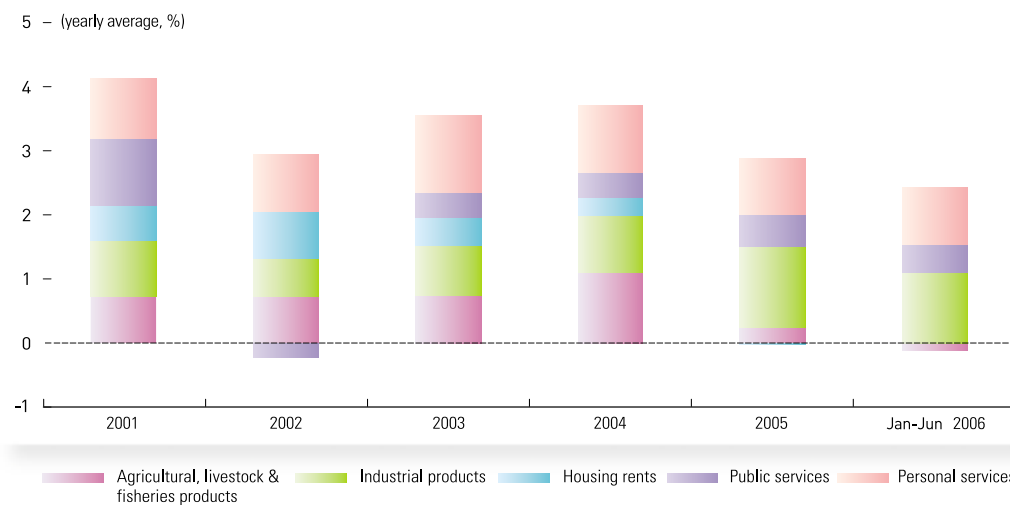
Source: Korea National Statistical Office (consumer price trend)



11-3

Contribution to consumer price inflation

Source: Korea National Statistical Office (consumer price trend)



11.2. International oil and commodity prices

International oil prices in July surged from the previous month affected by the armed conflicts between Israel and Lebanon, delay in resolution of Iran's nuclear issue and increase in US gasoline demands during the peak season.

For the coming months, international oil prices may vary upon the developments of geopolitical unrest such as Iran's nuclear threat, changes in gasoline reserves in the US and weather conditions including possible Hurricanes.

(US\$/barrel, period average)

	2004	2005	2006				
	Annual	Annual	Mar	Apr	May	Jun	Jul
Dubai crude	33.6	49.4	57.9	64.2	65.2	65.2	69.2
Brent crude	38.2	54.3	62.0	70.5	69.8	68.5	73.7
WTI crude	41.4	56.5	62.9	69.6	70.9	70.9	74.4

Record high oil prices in 2006 (Jul 14, US\$/barrel)

Dubai crude: 72.0

Brent crude: 75.9

WTI crude: 76.8

While the price of gasoline in July slightly rose from the previous month, diesel price surged with the revision of energy related tax system.

(Won/liter, period average)

	2004	2005	2006				
	Annual	Annual	Mar	Apr	May	Jun	Jul
Gasoline prices	1,295	1,365	1,473	1,504	1,543	1,540	1,543
Diesel prices	908	1,080	1,170	1,211	1,251	1,250	1,295

Source: Korea National Oil Corporation

International commodity prices in July rose across the board, which include such items as non-ferrous metals and agricultural products, except for natural rubber (*down 4.3 percent from the previous month*).

Affected by concerns on possible shortage arising from the mine strike and the lower inventory level, prices of non-ferrous metals rose in July. With higher demand for risk-free assets amid weak dollar trend and rising concerns over geopolitical unrest, prices of precious metals also went up.

Prices of agricultural products rose on the tighter supply-demand balance caused by the worsening weather conditions of major wheat and soybean producing areas in the U.S.

Price increases in Jul 2006 (monthly average, m-o-m, %)

Nickel (22.2); electrolytic copper (7.2); lead (7.8); corn (6.4); wheat (4.5); soybean (2.5)

Reuters index*

(Period average)

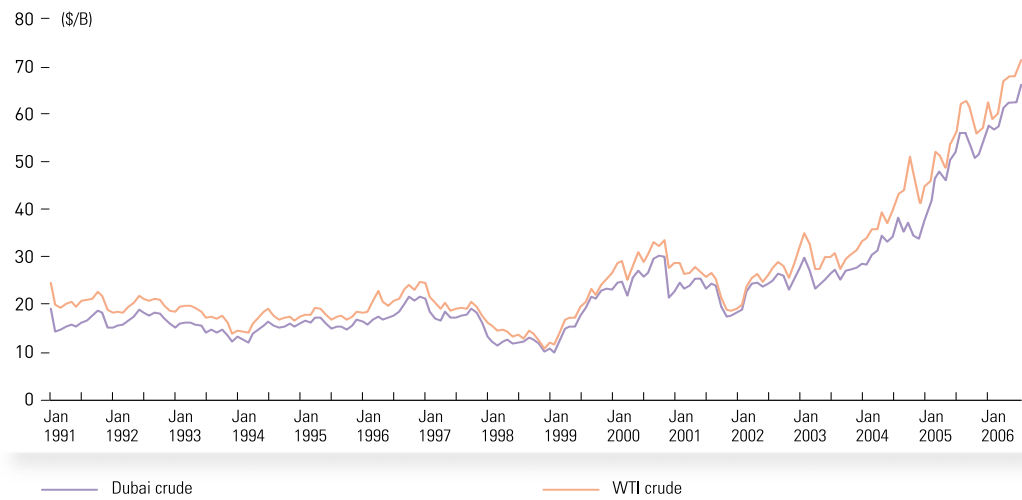
2004	2005		2006				
Annual	Annual	Dec	Mar	Apr	May	Jun	Jul
1,618	1,680	1,767	1,924	1,980	2,026	1,995	2,015

* A weighted average index of 17 major commodities

11-4

International oil prices

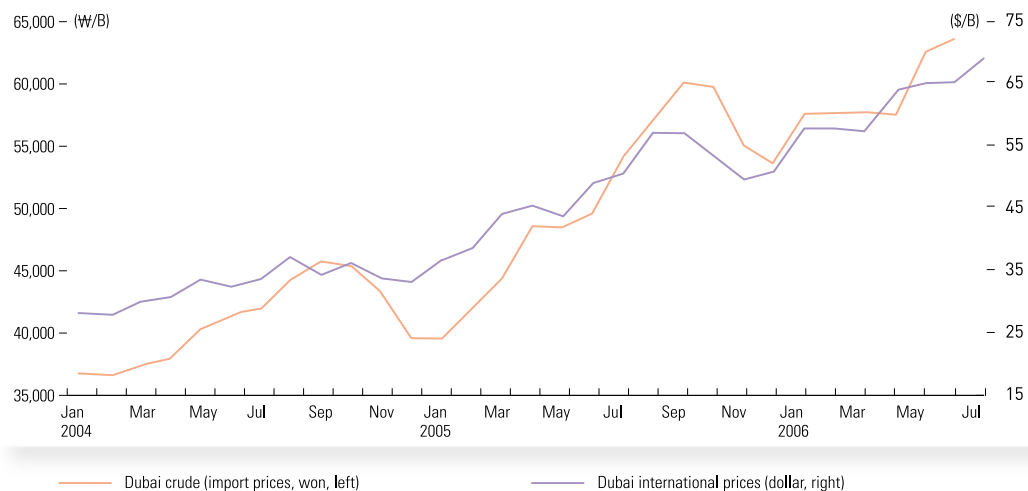
Source: Korea National Oil Corporation



11-5

International oil prices (Dubai crude) and import prices

Source: Korea National Oil Corporation & Korea Customs Service

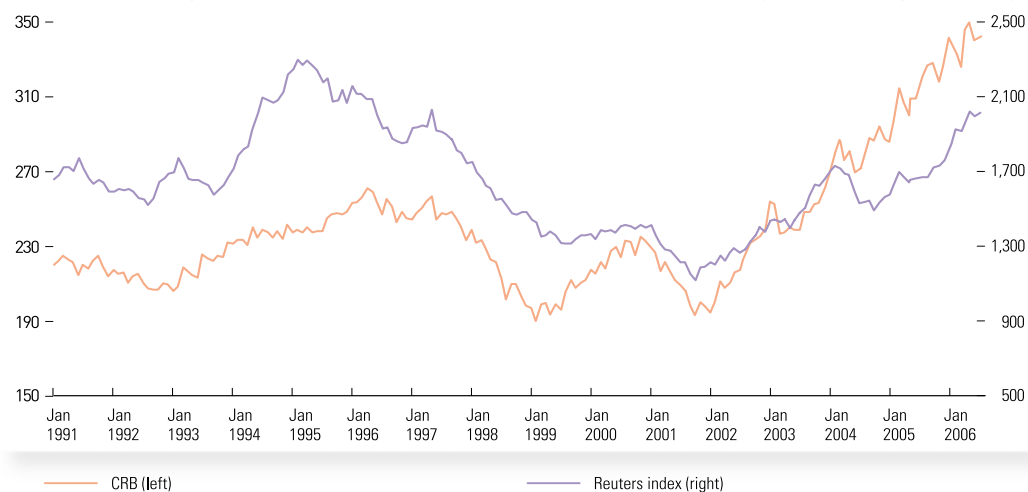


11-6

International commodity prices

Source: Bloomberg (CRB) & The Bank of Korea (Reuters index)

*CRB demonstrates futures price index of 21 commodities listed on the US Commodity Transaction Market, including beans and other crops, crude oil and jewelry.



12 Real estate market

12.1 Housing market

Nationwide apartment prices in July were up 0.2 percent, continuing growth deceleration from the previous month onwards.

Apartment sales prices

(Percentage change from previous period)

	2003	2004	2005			2006										
	Annual	Annual	Annual	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Jul 3 ¹	Jul 10 ¹	Jul 17 ¹	Jul 24 ¹
Nationwide	9.6	-0.6	5.9	0.0	0.2	0.5	0.6	0.8	1.1	1.2	0.5	0.2	0.1	0.0	0.0	0.0
Seoul	10.2	-1.0	9.1	0.2	0.5	0.9	1.1	1.8	2.3	2.0	0.6	0.3	0.1	0.0	0.0	0.1
Gangnam ²	14.3	-1.3	13.5	0.4	0.8	1.4	1.5	2.6	3.2	2.8	0.7	0.3	0.1	0.0	0.0	0.0
Gyeonggi	-	-3.7	7.6	-0.2	0.1	0.4	0.9	1.1	1.7	2.8	1.4	0.5	0.2	0.1	0.1	0.2

1. Weekly trends

2. Upscale area of southern Seoul

Source: Kookmin Bank

Apartment rental prices in July remained stable during the non-peak season (May-July).

Nationwide apartment rental prices

(Percentage change from previous period)

	2003	2004	2005			2006										
	Annual	Annual	Annual	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Jul 3 ¹	Jul 10 ¹	Jul 17 ¹	Jul 24 ¹
Nationwide	-0.4	-2.7	5.7	0.4	0.3	0.5	0.6	0.9	0.7	0.5	0.1	0.1	0.0	0.0	0.0	0.0
Seoul	-3.2	-4.4	6.2	0.6	0.4	0.9	0.9	1.5	1.1	0.6	0.2	0.2	0.1	0.0	0.1	0.0
Gangnam ²	-2.3	-5.2	8.6	0.8	0.5	1.0	1.0	1.6	1.2	0.6	0.1	0.2	0.1	0.0	0.1	0.0
Gyeonggi	-	-5.5	10.6	0.6	0.2	0.4	0.8	1.2	0.9	0.9	0.2	0.2	0.0	0.1	0.0	0.0

1. Weekly trends

2. Upscale area of southern Seoul

Source: Kookmin Bank

Apartment sales transactions in June decreased from the previous month.

Apartment sales transactions

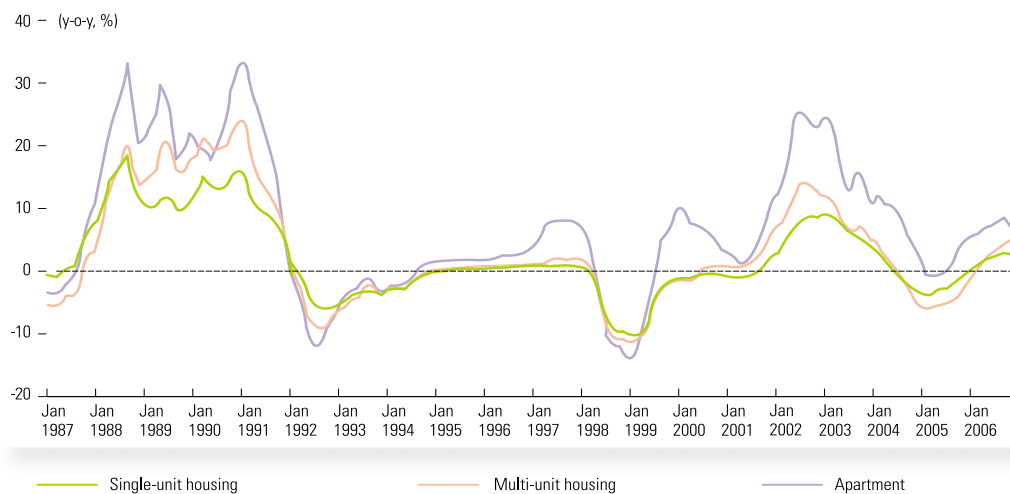
(Monthly average, thousand)

2004	2005									2006					
Annual	Annual	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
64	79	86	85	77	77	66	67	71	104	66	86	107	89	89	81

12-1

Real estate prices

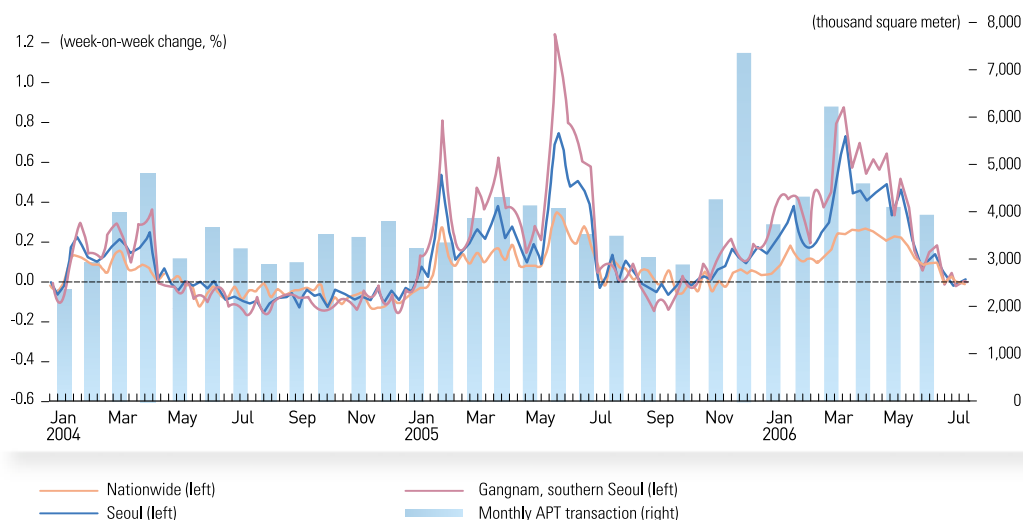
Source: Kookmin Bank (national housing price trend)



12-2

Weekly apartment sales prices and monthly transaction volume

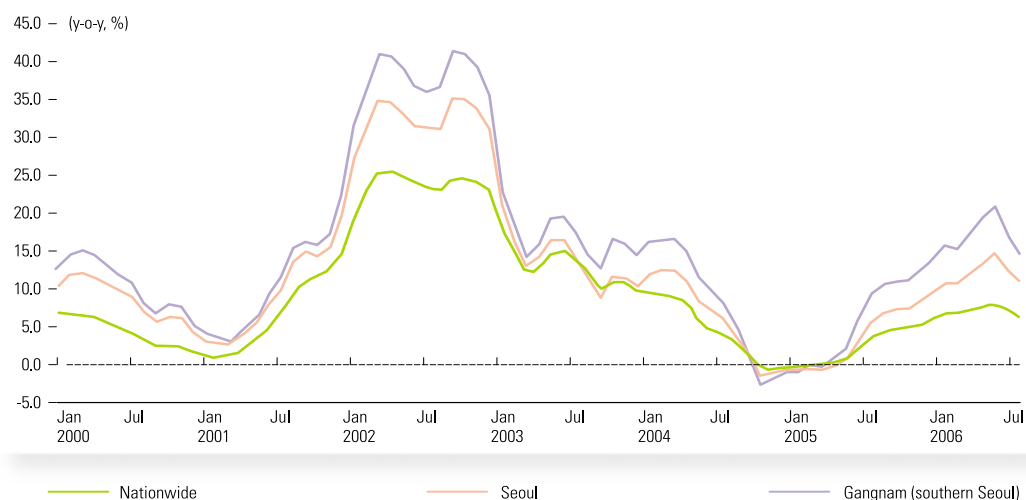
Source: Kookmin Bank (weekly APT price trend) & Korea Land Corporation (monthly land trade trend)



12-3

Apartment prices by region

Source: Kookmin Bank (national housing price trend)



12.2 Land market

The increase in overall land prices in June moderated slightly to an on-month 0.43 percent.

Land prices by region

(Percentage change from previous period)

	2003	2004					2005					2006			
	Annual	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Q1	Q2	May	Jun
Nationwide	3.43	3.86	1.36	1.09	0.77	0.58	4.98	0.76	1.90	1.13	1.11	1.31	1.43	0.48	0.43
Seoul	5.23	4.09	2.10	0.95	0.59	0.39	6.56	0.74	2.65	1.44	1.59	1.78	2.37	0.84	0.73
Gyeonggi	5.12	6.12	1.96	1.74	1.16	1.13	5.69	0.96	2.40	1.41	0.81	1.12	1.29	0.41	0.37
S. Chungcheong	4.81	11.65	2.40	4.65	3.93	0.25	8.32	2.16	2.52	1.28	2.12	2.77	1.31	0.37	0.31

Overall land prices remained stable except in some areas selected for various development projects, as only 48 areas out of 248 cities, counties and districts stayed above the nationwide average while the rest posted below the average.

Land price inflation in areas chosen for development projects (Jun 2006, m-o-m, %)

Innovation city

Jincheon, North Chungcheong province: 1.34

Naju, South Jeolla province: 1.01

New town

Seongdong-gu, Seoul: 0.91

Yongsan-gu, Seoul: 0.89

Land transactions in June went down month on month as farmland and forestland transactions plummeted while transactions of residential building sites decreased as well.

Land sales transactions

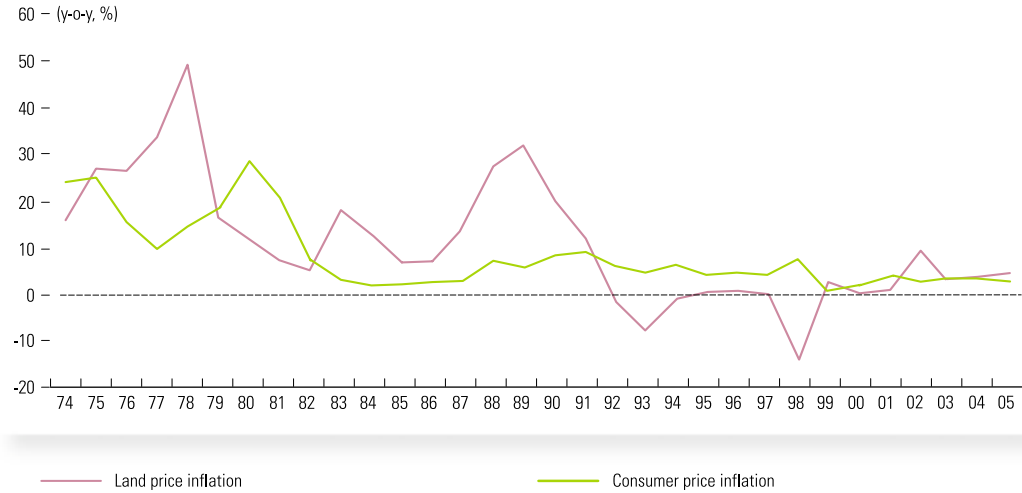
(Monthly average, thousand)

	2004	2005									2006					
	Annual	Annual	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Nationwide	218	248	297	287	253	246	210	206	213	319	153	197	261	231	249	211
Gyeonggi	52	56	66	63	60	55	50	46	48	71	22	45	61	55	66	52
N. Chungcheong	8	11	12	12	12	11	9	9	10	13	11	8	11	8	9	9
S. Chungcheong	20	17	22	31	17	15	11	11	12	19	10	13	17	14	15	12

12-4

Land and consumer prices since 1970s

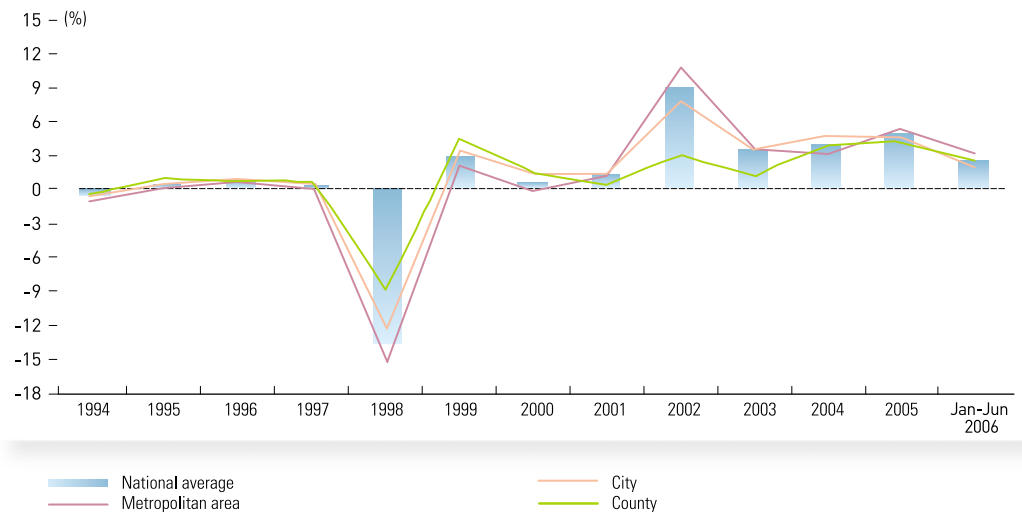
Source: Korea Land Corporation (land prices) & Korea National Statistical Office (consumer prices)



12-5

Land prices by region

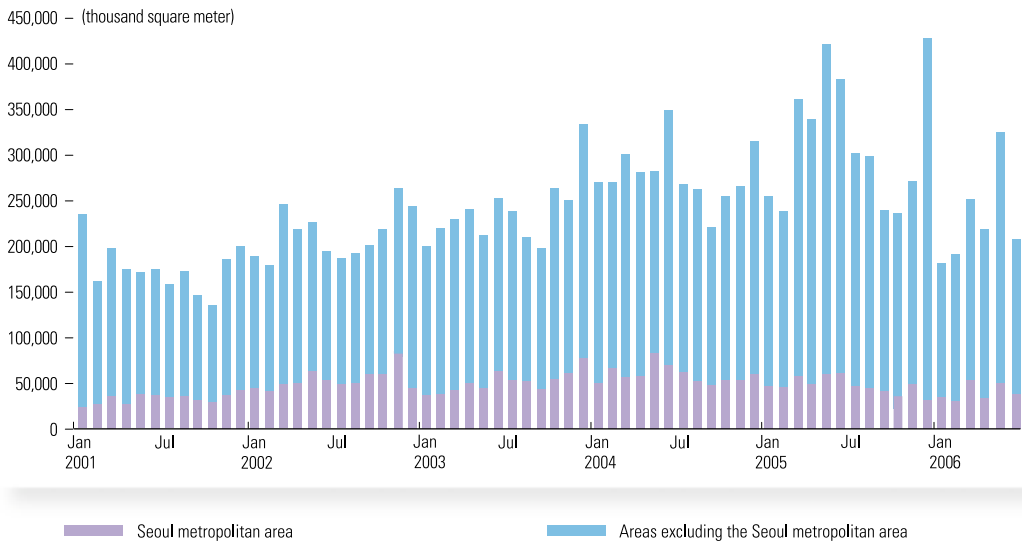
Source: Korea Land Corporation (land price trend)



12-6

Land trade volume

Source: Korea Land Corporation (land trade trend)



13 Composite indexes of business cycle indicators

The cyclical indicator of coincident composite index, a barometer of current economic conditions, fell 0.1 percentage point in June from a month earlier.

However, the pace of decline has moderated as all 7 components of the coincident index except the value of construction completed (i.e. the number of non-farm payroll employment, industrial activity, the manufacturing operation ratio, service activity, wholesale and retail sales, domestic shipment and the value of imports) increased in June.

The index is assessed to have deployed a 'soft patch' in due course of business upturn.

The on-year leading composite index in June, which foresees the future economic conditions, dropped 0.4 percentage point from the previous month. The decline has decelerated for two consecutive months since May.

The sluggish leading composite index was attributable to aggravation in such components as the composite stock price index, consumer expectations index and inventory cycle index, despite an increase in the value of construction orders received and the value of machinery orders placed.

A fall in the leading index may indicate the possible weakening of the upward momentum in the coming months. However, further monitoring of the future development in the leading composite index is required given the deceleration of the decline.

	2005	2006					
	Dec	Jan	Feb	Mar	Apr	May ¹	Jun ¹
Cyclical indicator of coincident composite index	100.1	100.8	100.5	100.5	100.0	99.9	99.8
(m-o-m, p)	0.2	0.7	-0.3	0.0	-0.5	-0.1	-0.1
Leading composite index ²	6.8	7.5	7.1	6.6	5.8	5.3	4.9
(m-o-m, %p)	0.8	0.7	-0.4	-0.5	-0.8	-0.5	-0.4

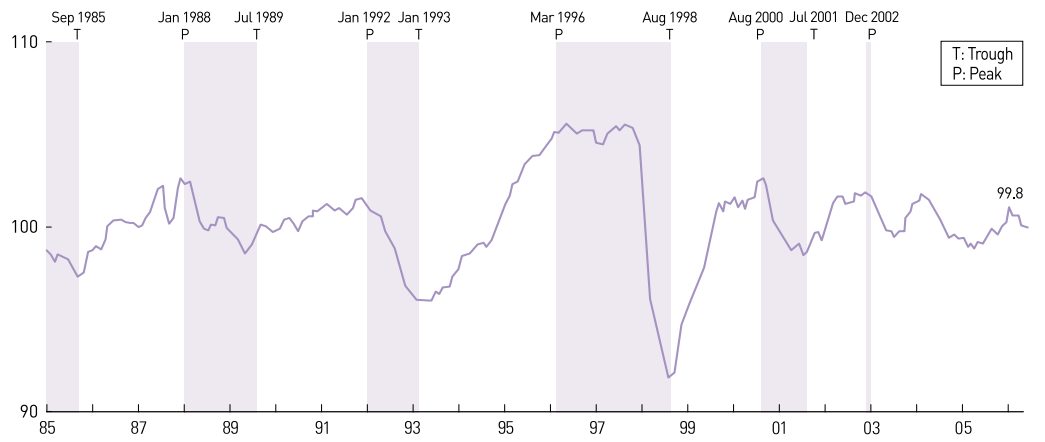
1. Preliminary

2. y-o-y, %

13-1

Cyclical indicator of coincident composite index

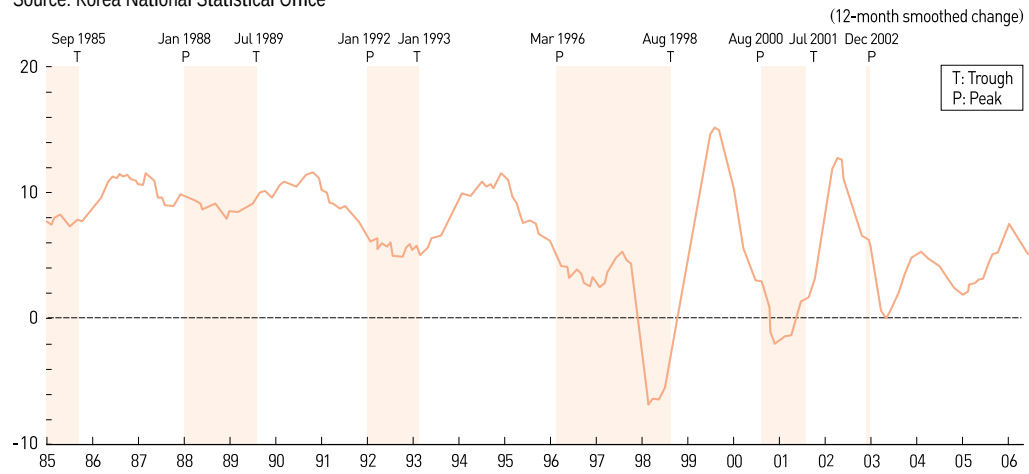
Source: Korea National Statistical Office



13-2

Leading composite index

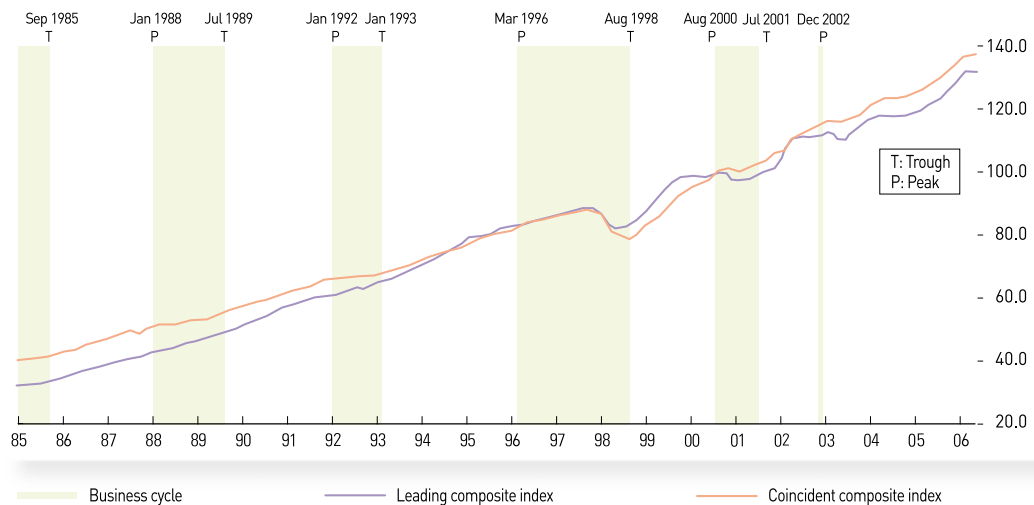
Source: Korea National Statistical Office



13-3

Coincident and leading composite indexes

Source: Korea National Statistical Office



Policy Issues

● Government Initiative to Promote ● Employment of the Aged

On July 14, 2006, the Ministry of Labor (MOL) unfolded a Basic Plan to Promote Employment of the Aged to be implemented from 2007 to 2011, whereby the government aims to address a possible labor shortage in production from a long term perspective as well as to promote employment of the aged and to enhance job security of the elderly.

Under the plan, various policies will take effect to guarantee retirement age and to raise the age limit through legislation designed to ban age discrimination at work and to support employment of the elderly.

I. Incubation of the policy initiative for the aged

Korea entered an aging society as of 2000 when people aged over 65 made up 7.2 percent of the population. The ratio of the elderly population in Korea is projected to reach 14.3 percent by 2018 before it becomes a super-aged society in 2026 with the share reaching 20.8 percent.

Korea is expected to undergo population aging at an unprecedented pace in the world. It is projected to take 26 years for Korea to become a super-aged society vis-à-vis 36 years for Japan and 155 years for France. Japan has already entered a super-aged society in 2006 and France is estimated to become a super-aged society in 2015. Korea's fast-paced demographic transition is largely attributable to a low fertility rate, which was 1.08 in 2005, lowest among OECD member countries. Longer life expectancy has also played a major role in accelerating population aging.

Against such backdrop, the Minister of Labor has placed a strong emphasis on drafting appropriate policy measures supporting future growth strategies. He has highlighted saying, "Aging is an inevitable social trend. If companies successfully foster elderly workers' potential to improve productivity, it could serve as a critical basis for companies and the aged alike to grow together. Considering this, the government will design support programs with a view to initiating effective incentives to utilize the aged in the future."

Accordingly, in preparation for the aged society, the Ministry of Labor formed a task force in December 2005 and has come up with a Basic Plan to Promote Employment of the Aged. The plan was drawn upon after due consultation with ministries concerned through gathering opinions from within MOL and various conferences attended by experts. Through the initiative, the government aims to establish and implement policies to utilize the aged in a systematic and comprehensive manner.

II. Labor market status of the aged in Korea

Korea's total population is forecast to decline from 2020, productive population, referring to aged between 15 and 64, from 2016 and economically active population aged between 25 and 54 from 2009. Korea, therefore, is required to cope with such short term challenges as job insecurity including early retirement, while coming up with long term policies such as the employment extension to address labor shortage in the aging society.

As of now, while economic participation of the aged is high, the share of the unemployed to the total population is relatively low. However, it is suggested that there is a fairly large number of discouraged job seekers. Furthermore, demographic change has progressed in a hasty pace to structure it with the aged having higher education. By 2020, 24 percent of the aged are projected to hold two-year college degree or higher, up from 9.6 percent in 2005.

The ratio of permanent and full-time workers among the aged is relatively low while the ratio of self-employed, farmers and workers in unskilled jobs is high. Seniority based payment scheme and rigid rules for employment protection might serve as stumbling blocks to hiring the aged.

After the financial crisis of 1997 to 1998, the aged who are able and willing to work were forced to leave their jobs. As a result, the employment of those aged between 55 and 64 has been declining in Korea while that in major advanced countries was on the uphill. In Korea, people generally exit from their main career at an average age of 54 and work for another 13 to 14 years at new work places with substantially worsened working conditions until they permanently stop working at the age of 68.

Provided that the ratio of economic participation by the aged and women is kept at the current level, workforce shortage is expected to begin from 2010. Without taking strong actions to encourage the economic participation of the aged and women, low birth rate and population aging are most likely to undermine economic and social vitality and growth potential as well.

III. Basic policy direction

The government will set up strategic goals and plans every five year till 2021 to realize an active aged society by pursuing policies to promote employment of the aged in response to low birth rate and population aging.

Timeframe	Policy objective
Phase I (2007-2011)	- Ensuring employment of those aged 60 or above - Laying foundation for an aged society
Phase II (2012-2016)	- Ensuring employment of those aged 62 or above
Phase III (2017-2021)	- Shifting policy paradigm in preparation for population aging - Achieving stabilized aged society

During phase I, a foundation will be laid out for a longer engagement in decent jobs by the aged. Strategies will be drawn up and focused policy tasks will be implemented to proactively cope with the expected decline in the absolute number of workforce in the long term. The objective is to increase the employment rate of the aged from the 58.7 percent in 2005 to at least the level of Japan which was 63 percent in 2004.

1. Guaranteeing and raising retirement age

The wage system will be rationalized by removing factors that may hold back employers from raising retirement age limit.

As part of the support programs to guarantee as well as to raise the retirement age, the government contemplates addressing job insecurity of the aged arising from the practice of early retirement. In specific, the Ministry of Labor will ▲ encourage public sectors and large businesses to further adopt the Wage Peak System by improving 「Compensation Allowance for Wage Peak System」 (“Compensation”) in effect till 2008, ▲ and upon expiration of the Compensation, MOL will provide partial compensation to individuals’ income deduction by introducing 「Supplement to individual income deduction」 (“Supplement”). Employers who adopt employment schemes¹ in line with the recommended retirement age related policies are eligible for the Supplement.

Compensation allowance for wage peak system (till 2008)	Supplement to individual income deduction(from 2009)
* It aims to retain and extend individual's employment in major career path by disseminating the wage peak system. * Compensation allowance is provided only when wages are cut as a result of implementing the wage peak system. However, allowance is not available when wage cuts result from such reasons as switching to part-time work.	* It is designed to prolong employment in major career path by adopting diverse employment status and work type suitable for the aged. * Support is provided to compensate wage cuts in case the employer introduces new types ¹ of employment or work fit for the aged.

1. They refer to diverse employment types including flexible working hour program, shortened working hours and job rotation from hard to light work set out under the Supplement.

To ease regulations on employment extension, “multi-year work contract” will be encouraged for the aged or re-employed workers. Hiring the aged will be promoted by allowing employment of the aged on a term contract basis or a worker-dispatching contract basis.

To enhance safety and health of the aged workers, financial support² will be provided for employers who set up facilities to lessen physical and mental burdens of the aged.

In addition, MOL is planning to ▲ establish a fund to encourage introduction of raising the retirement age and hiring the retired after the age limit. The amount of support from the fund will differ depending on the extended terms of service, the number of beneficiaries from such initiative and the size of a company. MOL will also ▲ deliberate introduction of making the retirement age mandatory by 2010. The mandatory retirement age to be set will be closely correlated with the legal age eligible for pension receipt based on a labor market flexibility study.

2. Facilitating re-employment of the aged

The government will expand opportunities for the aged to develop their vocational capability.

To facilitate employers’ investment on developing vocational capability of the aged, the government is to introduce a system in 2009 which places a priority on refunds to employment insurance and training expense consumed for vocational training for the aged. Starting from 2008, the government will support companies in developing the aged friendly training program.

To strengthen self-motivated capability development by the aged workers, from 2008 the government will offer a comprehensive career consulting program covering individual capability, aptitude and personality during their service.

As a part of Re-employment Support Program for Retirees involuntarily forced to quit their jobs for such reasons as age limit and dismissal, MOL will provide financial support to incurred expenses in case when employers carry out supportive measures for re-employment in close cooperation with the Employment Support Center.

Partial support for labor costs will be provided to the employers who allow employees time for job-searching. Alongside, a subsidy for re-employment will be offered to the employers who successfully get the retrenched re-established within 3 months. The government will also provide half of the investment costs for employers who carry out re-employment support activities such as operating re-employment support center and recruiting counselors.

2. Financial support in a form of loan advancement is currently available with lending terms of 5 years’ grace period and even-out principal repayments in 5 years at per annum 3 % interest rate. Companies can apply for up to 1 billion won principal amount.

Furthermore, MOL is planning to extend the current eligibility for Job Transfer Support Subsidy from employment adjustment companies to all companies, and also the subsidy beneficiaries from the retrenched for such reasons as employment adjustment and retirement age to the employees facing retirement in 2 years.

3. Creating the aged friendly environment

Guides for prohibiting age discrimination at work will be developed and implemented from 2007 before the execution of relevant regulations. This guideline will eventually change the stereotypical perception of employing the elders into a positive one, and moreover, actively encourage voluntary participation by companies.

The ban will be introduced in the public sector by easing age limits in recruitment and hiring. In specific, when hiring employees with special expertise and capability regardless of age, age limits will be softened.

Meantime, to improve the employment condition of the aged, MOL will revise 「Act on Employment Promotion of the Aged」 to 「Act on Employment Promotion of the Aged and Ban on Age Discrimination」(*tentative title*) with a view to legislating a ban on age discrimination.

The ban will be implemented in several phases; starting with introduction of anti-discrimination in recruitment, hiring and training from 2008, and further expanding to include anti-discrimination in promotion and dismissal from 2010.

Economic News Briefing;

GDP in Q2 increases 5.3% year on year (preliminary)

In the second quarter of 2006, real GDP edged up 5.3 percent year on year, or seasonally adjusted 0.8 percent from the previous quarter.

With respect to production, manufacturing continued solid growth with services carrying on recovery while construction decreased.

In terms of expenditure, private consumption and facility investment kept up recovery and exports maintained solid growth while construction investment witnessed deceleration.

GDP by production & expenditure*

(Percentage change from previous year)

	2005 ¹							2006 ¹		
	Q1	Q2	H1	Q3	Q4	H2	Annual	Q1	Q2	H1
GDP	2.7	3.2	2.9	4.5	5.3	4.9	4.0	6.1	5.3	5.7
Agriculture, forestry and fishery	-2.1	2.6	1.2	-0.2	-0.9	-0.7	-0.1	4.4	0.5	1.6
Manufacturing	5.1	5.0	5.1	7.4	10.2	8.9	7.0	9.9	9.0	9.5
Electricity, gas and water	8.8	7.3	8.1	5.7	9.9	7.8	8.0	4.5	4.3	4.4
Construction	-2.6	1.0	-0.4	0.7	0.4	0.6	0.1	1.8	-3.2	-1.2
Services ²	2.2	2.5	2.4	3.4	3.9	3.7	3.0	4.3	4.3	4.3
Private consumption	1.6	3.0	2.3	4.0	4.2	4.1	3.2	4.8	4.4	4.6
Facility investment	2.9	2.7	2.8	4.3	10.2	7.4	5.1	6.9	7.7	7.3
Construction investment	-2.2	1.6	0.1	0.3	0.9	0.6	0.4	1.2	-4.0	-1.9
Goods exports ³	7.7	6.3	7.0	13.1	11.4	12.2	9.7	11.6	16.3	13.9
Goods imports ³	3.0	3.9	3.5	10.5	7.0	8.6	6.1	11.8	14.5	13.1
Domestic demand ⁴	1.5	2.8	2.2	3.5	4.3	3.9	3.1	4.6	3.3	3.9
GDI	0.6	0.5	0.5	0.6	1.6	1.1	0.8	1.6	1.7	1.7

*At 2000 constant prices, original

1. Preliminary

2. Wholesale and retail sales, hotels and restaurants, transportation and storage, communication services, financial and insurance services, real estate, business services, public administration, defense and social security, educational services, healthcare and social welfare services and other services are included.

3. FOB basis

4. Inventories are excluded.

FDI outflow grows 83.0% year on year

Korea's FDI outflow in the first half this year (*notification basis*) rose 83.0 percent year on year to US\$7.08 billion.

FDI outflow is likely to keep rising thanks to eased regulations on overseas investment on real estate by individuals and companies, domestic companies' global management strategy and investment in overseas resource developments.

(US\$100 million)

	2004	2005	2006		
	Annual	Annual	H1	H1	Q1 Q2
FDI outflow	80.6	91.7	38.7	70.8	38.4 32.4
	(36.1)	(13.7)	(6.5)	(83.0)	(89.9) (75.4)
Notified cases	3,929	4,548	2,133	2,552	1,203 1,349
	(27.4)	(15.8)	(14.9)	(19.6)	(24.1) (15.9)

NB. Figures in parentheses refer to percentage change from the previous year.

Keeping up with increasing demand for overseas real estate, investment in real estate and construction was robust led by SMEs.

In January 2006, the limit to individuals' overseas investment was pushed upward from US\$3 million or less to US\$10 million or less and was finally abolished in March. The ceiling on real demand based overseas real estate acquisition was eliminated in March 2006 after it was lifted from US\$0.5 million to US\$1 million in January this year. Financial support has been strengthened for large scale overseas resource development from March 2006. Overseas real estate acquisition of US\$1 million or less for investment purpose was allowed from May 2006.

The 2nd phase financial deregulatory tasks and implementation plans

To keep up with changes in the financial environment, the 2nd phase zero-base financial deregulatory reform is in progress this year following the first phase last year. The 2nd phase reform focuses on enhancing equality in regulation through task forces by regulatory function and through fact-finding survey on financial regulations. The four task forces include the scope of financial businesses, governance structure, ownership structure, consumer protection and regulatory restrictions.

This year, the reform target is to address lingering difficulties in business activities and to streamline overlapping and excessive regulations. To this end, from February to June 2006, suggestions were collected from foreign investors and financial institutions. In reflection of these policy takers' opinions, the government announced 53 improvement tasks related to financial regulations including 29 in the capital market on July 25 and 24 in the banking and insurance sectors on July 26.

As for the capital market, with a view to promoting financial innovation and competition, a regulatory overhaul has been carried out through drafting a law on Financial Investment Services and Capital Market (*provisional title*) and its legislation announcement on June 30 thereafter. Additional improvement tasks have been identified with focuses given to business scopes of financial institutions. In specific, securities companies' investment scopes using clients' wrap accounts have been expanded, whereby investment into securities issued by them is allowed with prior consents from the clients. National Credit Union Federation of Korea and Korea Federation of Community Credit Corporation with 'appropriate' assessment on the performance in previous fiscal year by external audits are allowed to issue asset-backed securities (ABS).

In the insurance sector, improvement tasks were identified with a view to expansion of business scopes. In particular, permissible range of insurance company's subsidiaries has been extended to include private equity funds (PEFs) and ship investment management corporation. Management scope of securitized assets is to be broadened, whereby managing assets securitized by other financial institutions will be available. A draft on revision of Insurance Business Act will be drawn up to expand business scopes of the insurance industry and enhance its competitiveness within the second half of the year.

FATF invites Korea as an Observer

The Financial Action Task Force (FATF) has invited Korea to join the Task Force as an Observer, the first step on the path to full membership. This was the first invitation in 8 years since 1998. Korea will participate as an Observer in the next FATF Plenary meeting which will be held in Vancouver, Canada in October. The process for an Observer to obtain full Member status takes approximately 2 years to complete, and is predicated upon undergoing a successful mutual evaluation. Frank Swedlove, the FATA President said in his invitation to Korea that the membership would give the FATF a greater regional balance and strengthen the global fight against money laundering and terrorist financing.

The Korean government has demonstrated strong political commitment to implement the FATF 40+9 Recommendations and to become a Member of FATF. The Korean anti-money laundering system is already well developed and the country plays an active role in the Asia-Pacific region in the field of anti-money laundering.

Korea's labor productivity up 10.9% in Q1

Korea's labor productivity in the manufacturing sector rose 10.9 percent from a year earlier during the first quarter of 2006, according to data compiled by the Ministry of Commerce, Industry and Energy and the Korea Productivity Center. The double-digit productivity gain was attributed to a 12.6 percent increase in industrial output and a 1.5 percent rise in labor input.

While manufacturing labor productivity grew 10.9 percent in the first quarter, the sector's nominal wage per hour increased 3 percent on-year. As a result, the unit labor cost in the manufacturing sector, calculated by dividing the per hour nominal wage by labor productivity, fell 7.1 percent from a year earlier, marking a second quarterly drop in a row.

The unit labor cost of the IT sector plunged 21.7 percent in the first quarter while that of the non-IT sector dipped 0.2 percent. Large corporations showed a 12.3 percent drop in their unit labor cost, while small and medium enterprises reported a mere 0.3 percent decline.

Derivative trading up 93.5% in Q1 of 2006

The notional amount of derivatives traded during the first quarter of 2006 totaled 12,907 trillion won, marking an increase of 93.5 percent compared to a year earlier, as exchange-traded derivatives rose sharply to 11,829 trillion won from a year ago due to a 5,528 trillion won surge in KOSPI 200 options trading. Over-the-counter (OTC) derivatives also increased 12.1 percent from a year earlier to 1,078 trillion won due to a growth in interest rate swaps.

Derivatives trading of financial companies¹

(Notional amount, trillion won)

	Q1 2004	Q1 2005	Q1 ² 2006
Exchange-traded derivatives	5,656	5,709	11,829 (107.2)
Stock index options	4,761	4,932	10,460 (112.1)
Over-the-counter derivatives	876	962	1,078 (12.1)
Currency forward contracts	746	774	733 (-5.3)
Interest rate swaps	57	103	200 (94.2)
Total	6,532	6,671	12,907 (93.5)

1. Financial companies comprise banks, security companies, investment trust companies, credit card companies, futures companies and merchant banks.

2. Figures in parentheses refer to percentage change from same period in previous year.

Banks & credit card firms report a strong profit for H1 (preliminary)

Domestic banks' net income for the first half of 2006 increased 23.4 percent or 1,535.7 billion won from a year earlier to 8,087.4 billion won, posting the highest record on a six months basis. An 8.5 percent or 1.1 trillion won increase in interest income driven by continued loan growth as well as a 50.3 percent or 1.2 trillion won drop in loan loss provisions mainly contributed to the robust earnings for the period.

In addition, six domestic credit card companies (CCCs) reported a combined net income of 1,037.4 billion won for the first half of 2006 after swinging back to the black in 2005 thanks to a sharp fall in bad debt expenses and a rise in operating income.

CCCs also showed improvement in asset quality with their delinquency ratio falling to 8.02 percent as of the end of June, down 2.04 percentage point from 10.06 percent six months earlier.

KORUS FTA's positive influence on major Korean industries

The second round of the KORUS FTA negotiations ended on July 14, 2006. The two parties reached an agreement on the framework for tariff concession schedules in the sector of goods and agreed to exchange tariff offers for goods, textiles, and agricultural products in mid-August. Both sides exchanged reservations lists on services and investment sectors. Both agreed to hold the third round talk in the US during the week of September 4.

The envisioned FTA is likely to have positive effects on major Korean industries. As for general machinery, preliminary estimates indicate it could grab 6 percent of the US market by 2015, from 3.2 percent at present. On textiles, the KORUS FTA can help stem the steady decline in US-bound exports, from US\$3.6 billion in 2000 to US\$2.3 billion last year. In the parts sector, it can help local manufacturers that have tended to stay in the lower end of the market move to more tech-intensive areas. With respect to electronics, the envisioned FTA will allow Korean local manufacturers to have unrestricted access to the US market. Korea will be giving up its 8 percent duties in exchange for Washington dropping its 2 percent currently levied on Korean electronics goods. Meantime, the size of the US electronics market is US\$370 billion, while the Korean market is only one tenth of the US.

To smooth negotiations on an FTA with the US, a presidential committee was set up in early August. Han Duck-soo, former Deputy Prime Minister and Minister of Finance and Economy, is to lead the body that would support the government's negotiation team and promote the trade pact at home.

Establishing 'e-Asia and Knowledge Partnership Fund' in ADB

The Ministry of Finance and Economy signed on July 10 the final Korea-ADB Channel Financing Agreement on the establishment of e-Asia and Knowledge Partnership Fund (Fund). The Fund shall be utilized to resolve the information divide among nations and to facilitate informatization of developing countries in the region. Through the Fund, Korea will be able to make substantial contribution in transferring its experiences and know-hows accumulated in the course of economic development. In particular, when selecting beneficiaries of the Funds, ADB is obliged to consult Korea in advance. Also, the project priority shall go to those areas where Korea has global competitiveness such as IT sector.

Commerce ministry invests 1.13 bln won to support foreign R&D centers

The Ministry of Commerce, Industry and Energy (MOCIE) has selected five foreign companies - Battelle Memorial Institute, Molex Korea, TI Automotive Korea, ZF-Sachs Korea and AVL Korea - as the beneficiaries of the fourth round of the Foreign R&D Human Resource Development Program. The five companies will receive financial support amounting to 1.13 billion won for two years, which will cover the labor costs of R&D personnel newly recruited domestically and those of foreign trainees dispatched to Korea.

Government supports early commercialization of fuel cell cars

The Korean government plans to inject 24 billion won during 2006-2008 into a 'project to monitor fuel cells used in vehicles' for early commercialization and more competitiveness of fuel cell cars. The fuel cell cars have been becoming a prospective alternative replacing internal-combustion engine cars relying on oil. The project, which also receives 24 billion won from the private sector, will be implemented by placing and operating cars equipped with Korean made fuel cells in the country's strategic location. Alongside, the government will prepare for the technical standard system, foster parts companies, and establish infrastructure such as hydrogen charging stations and related laws and regulations.

Fuel cell car project schedule by year

		2006	2007	2008	Total
Vehicle	Passenger car (unit)	4	8	18	30
	Bus (unit)	1	1	2	4
	Localization Target (%)	50	60	70	-
	(durability, hours)	(1,000)	(1,500)	(2,000)	
Hydrogen Station (unit)		2	4	2	8

Korea ranks first in Digital Opportunity Index for 2 consecutive years

The International Telecommunication Union (ITU) ranked Korea first in the world's digital opportunity index (DOI) for the second consecutive year in 2006. The index reflects a comparison among member countries in the level of IT development, including the penetration of mobile handsets, the Internet and personal computers. Japan, Denmark, Iceland and Hong Kong came next in a top 10, indicating competitive edge of Asia and European economies in the field.

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1. National accounts

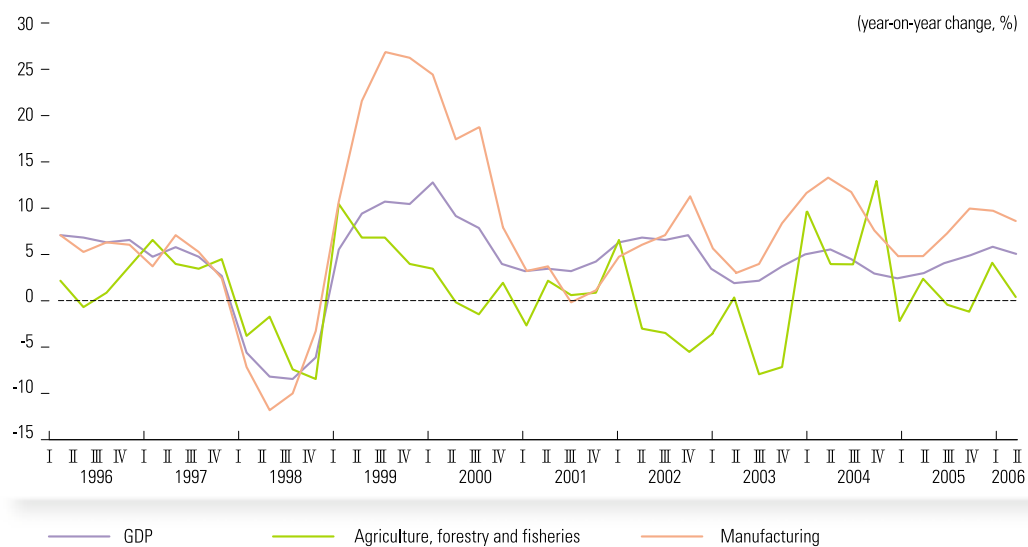
(year-on-year change, %, 2000 constant prices)

Period		Real GDP		Final consumption expenditure	Gross fixed capital formation			
		Agri., fores. & fisheries	Manufacturing			Construction	Facilities	
1996		7.0	2.3	6.4	7.0	8.4	7.5	9.2
1997		4.7	4.6	4.9	3.2	-2.3	2.3	-9.6
1998		-6.9	-6.4	-7.9	-10.6	-22.9	-12.4	-42.3
1999		9.5	5.9	21.8	9.7	8.3	-3.8	36.8
2000		8.5	1.2	17.0	7.1	12.2	-0.8	33.6
2001		3.8	1.1	2.2	4.9	-0.2	6.0	-9.0
2002		7.0	-3.5	7.6	7.6	6.6	5.3	7.5
2003		3.1	-5.3	5.5	-0.3	4.0	7.9	-1.2
2004		4.7	9.2	11.1	0.4	2.1	1.1	3.8
2005 ^P		4.0	-0.1	7.0	3.4	2.3	0.4	5.1
2001	I	3.5	-2.4	3.4	2.3	-3.7	1.0	-9.4
	II	3.7	2.4	4.1	4.2	-3.5	0.8	-10.6
	III	3.4	0.9	0.0	5.7	-0.5	9.6	-14.2
	IV	4.6	1.2	1.3	7.3	6.2	10.7	-1.3
2002	I	6.5	6.7	5.2	9.4	7.7	11.0	3.3
	II	7.0	-2.7	6.2	8.5	7.3	6.0	8.0
	III	6.8	-3.2	7.4	7.3	2.4	-2.4	9.1
	IV	7.5	-5.5	11.4	5.3	9.1	8.4	9.6
2003	I	3.8	-3.3	5.8	1.2	4.7	7.7	2.3
	II	2.2	0.5	3.3	-0.6	4.2	7.9	-0.4
	III	2.3	-7.8	4.2	-1.0	2.7	7.7	-4.6
	IV	4.1	-6.9	8.6	-0.9	4.3	8.3	-2.0
2004	I	5.4	10.1	11.9	-0.4	2.4	4.9	-0.1
	II	5.7	4.2	13.6	0.7	4.7	3.8	6.4
	III	4.7	4.3	11.7	0.1	2.9	1.0	6.8
	IV	3.3	13.3	7.7	1.3	-1.1	-3.3	2.4
2005 ^P	I	2.7	-2.1	5.1	1.9	0.4	-2.2	2.9
	II	3.2	2.6	5.0	3.2	2.0	1.6	2.7
	III	4.5	-0.2	7.4	4.2	1.9	0.3	4.3
	IV	5.3	-0.9	10.2	4.3	4.2	0.9	10.2
2006 ^P	I	6.1	4.4	9.9	4.9	3.9	1.2	6.9
	II	5.3	0.5	9.0	4.5	0.7	-4.0	7.7

P: Preliminary

Source: The Bank of Korea

Growth rate by economic activity



Growth rate by expenditure on GDP



2. Production, shipment and inventory See graphs 6-1, 6-3, 7-1, 7-2 & 7-3

(constant prices, 2000 = 100)

Period		Production index	Y-o-Y change (%)	Shipment index	Y-o-Y change (%)	Inventory index	Y-o-Y change (%)	Service production index	Y-o-Y change (%)
2001		100.7	0.7	101.3	1.3	105.3	0.4	106.1	6.1
2002		108.8	8.0	109.2	7.8	104.5	-0.8	116.1	9.4
2003		114.5	5.2	114.3	4.7	110.9	6.1	117.2	0.9
2004		126.2	10.2	124.7	9.1	121.2	9.3	117.9	0.6
2005		134.1	6.3	131.7	5.6	124.1	2.4	122.2	3.6
2002	I	103.6	6.7	104.9	7.4	101.9	-8.9	111.3	10.0
	II	109.0	7.1	109.5	6.7	102.8	-5.9	116.9	10.4
	III	106.2	6.9	106.1	6.2	102.1	-3.3	116.0	9.7
	IV	116.1	11.2	116.3	10.8	104.5	-0.8	120.3	8.0
2003	I	110.2	6.4	110.0	4.9	112.1	10.0	113.5	2.0
	II	112.7	3.4	113.1	3.3	112.6	9.5	117.8	0.8
	III	109.7	3.3	109.4	3.1	110.7	8.4	116.6	0.5
	IV	125.5	8.1	124.8	7.3	110.9	6.1	121.0	0.6
2004	I	122.8	11.4	121.2	10.2	117.2	4.5	115.9	2.1
	II	127.1	12.8	125.5	11.0	115.9	2.9	119.0	1.0
	III	121.7	10.9	120.3	10.0	116.1	4.9	116.0	-0.5
	IV	133.5	6.4	131.9	5.7	121.2	9.3	120.8	-0.2
2005	I	127.1	3.5	125.6	3.6	127.6	8.9	116.8	0.8
	II	131.6	3.5	129.9	3.5	124.3	7.2	121.9	2.4
	III	130.4	7.1	128.0	6.4	122.8	5.8	122.3	5.4
	IV	147.3	10.3	143.2	8.6	124.1	2.4	127.8	5.8
2006	I	142.4	12.0	137.0	9.1	132.3	3.7	123.9	6.1
	II ^P	146.0	10.9	140.8	8.4	133.7	7.6	128.4	5.3
2004	1	115.5	4.8	114.0	4.2	114.2	4.1	114.1	0.0
	2	121.8	17.6	119.7	15.1	116.7	5.3	111.9	3.9
	3	131.0	12.2	129.9	11.4	117.2	4.5	121.7	2.5
	4	126.9	11.4	125.8	10.3	115.0	1.3	118.3	0.6
	5	127.3	13.9	125.1	11.5	117.4	3.5	119.0	0.6
	6	127.0	12.9	125.5	11.2	115.9	2.9	119.6	1.7
	7	122.4	12.9	120.4	12.3	117.4	3.3	116.2	-0.6
	8	119.6	10.4	118.3	9.7	117.3	3.5	114.4	-0.6
	9	123.0	9.4	122.3	8.1	116.1	4.9	117.5	-0.2
	10	133.0	5.3	132.1	4.8	116.3	5.7	117.8	-0.7
	11	134.3	9.6	133.2	9.2	119.0	8.4	118.2	-0.4
	12	133.1	4.1	130.3	3.1	121.2	9.3	126.5	0.6
2005	1	131.9	14.2	128.4	12.6	128.6	12.6	115.2	1.0
	2	112.6	-7.6	112.5	-6.0	127.3	9.1	111.4	-0.4
	3	136.8	4.4	135.8	4.5	127.6	8.9	123.7	1.6
	4	131.1	3.3	129.3	2.8	127.8	11.1	120.6	1.9
	5	131.9	3.6	129.3	3.4	128.1	9.1	122.3	2.8
	6	131.7	3.7	131.0	4.4	124.3	7.2	122.9	2.8
	7	131.0	7.0	128.2	6.5	126.7	7.9	121.5	4.6
	8	127.7	6.8	126.3	6.8	122.7	4.6	121.3	6.0
	9	132.4	7.6	129.5	5.9	122.8	5.8	124.0	5.5
	10	143.7	8.0	140.3	6.2	122.7	5.5	123.4	4.8
	11	150.1	11.8	146.3	9.8	122.6	3.0	125.4	6.1
	12	148.2	11.3	142.9	9.7	124.1	2.4	134.7	6.5
2006	1	141.0	6.9	134.2	4.2	128.8	0.2	123.2	6.9
	2	135.8	20.6	131.5	16.9	130.6	2.6	118.3	6.2
	3	150.5	10.0	145.2	6.9	132.3	3.7	130.3	5.3
	4	144.1	9.9	139.3	7.7	132.3	3.5	127.6	5.8
	5 ^P	147.8	12.1	142.4	10.0	134.4	4.9	129.2	5.6
	6 ^P	146.1	10.9	140.9	7.6	133.7	7.6	128.4	4.5

P: Preliminary

Source: Korea National Statistical Office

3. Production capacity and operation ratio See graph 6-2

Period		Production capacity index (2000=100)	Y-o-Y change (%)	Operation ratio index (2000=100)	Y-o-Y change (%)	Average operation ratio (%)
2001		103.5	3.5	95.9	-4.1	75.3
2002		106.3	2.7	99.7	4.0	78.4
2003		109.8	3.3	99.7	0.0	78.3
2004		115.1	4.8	102.5	2.8	80.4
2005		119.0	3.4	102.1	-0.4	79.8
2002	I	105.0	2.7	96.0	2.0	77.8
	II	106.0	3.1	102.5	3.3	78.3
	III	106.6	2.3	97.5	3.0	79.0
	IV	107.7	2.8	102.9	7.5	78.6
2003	I	108.8	3.6	97.2	1.3	78.2
	II	109.7	3.5	100.9	-1.6	77.4
	III	109.6	2.8	95.0	-2.6	77.2
	IV	111.2	3.2	105.7	2.7	80.4
2004	I	113.0	3.9	101.0	3.9	81.0
	II	115.3	5.1	104.9	4.0	80.6
	III	115.6	5.5	98.3	3.5	79.6
	IV	116.5	4.8	105.8	0.1	80.3
2005	I	117.2	3.7	99.4	-1.6	79.6
	II	118.1	2.4	104.1	-0.8	79.4
	III	118.9	2.9	98.7	0.4	79.9
	IV	121.7	4.5	106.0	0.2	80.2
2006	I	122.1	4.2	102.2	2.8	82.0
	II ^P	122.3	3.6	105.0	0.9	80.5
2004	1	112.3	3.8	94.3	-2.7	79.9
	2	112.9	4.3	100.7	9.6	82.9
	3	113.8	3.5	108.0	5.0	80.1
	4	114.7	4.5	105.4	2.3	80.5
	5	115.6	5.3	104.9	5.2	81.6
	6	115.7	5.7	104.5	4.6	79.6
	7	115.6	5.6	100.0	6.4	79.4
	8	115.6	5.5	96.5	3.0	79.5
	9	115.6	5.5	98.5	1.2	79.9
	10	116.1	4.9	106.6	-2.4	79.8
	11	116.5	4.6	107.2	4.1	81.2
	12	116.9	4.9	103.6	-1.2	79.8
2005	1	117.1	4.3	102.7	8.9	81.2
	2	117.2	3.8	86.8	-13.8	77.2
	3	117.3	3.1	108.6	0.6	80.5
	4	117.3	2.3	104.8	-0.6	79.1
	5	118.4	2.4	104.0	-0.9	79.0
	6	118.5	2.4	103.6	-0.9	80.0
	7	118.5	2.5	101.8	1.8	80.9
	8	118.6	2.6	96.2	-0.3	79.4
	9	119.5	3.4	98.2	-0.3	79.3
	10	121.0	4.2	104.9	-1.6	79.0
	11	122.0	4.7	108.7	1.4	82.1
	12	122.1	4.4	104.5	0.9	79.4
2006	1	122.1	4.3	99.9	-2.7	83.5
	2	122.1	4.2	97.5	12.3	80.9
	3	122.2	4.2	109.3	0.6	81.5
	4	122.2	4.2	103.4	-1.3	79.0
	5 ^P	122.4	3.4	106.0	1.9	80.6
	6 ^P	122.4	3.3	105.5	1.8	81.9

P: Preliminary

Source: Korea National Statistical Office

4. Consumer goods sales index See graphs 2-2, 2-3, 2-4 & 2-5

(constant prices, 2000 = 100)

Period	Consumer goods sales index								
		Y-o-Y change (%)	Durable goods	Y-o-Y change (%)	Semi-durable goods	Y-o-Y change (%)	Non-durable goods	Y-o-Y change (%)	
2001		107.4	7.4	108.1	8.1	107.8	7.8	106.8	6.8
2002		118.7	10.5	124.8	15.4	117.4	8.9	116.3	8.9
2003		115.0	-3.1	113.4	-9.1	111.4	-5.1	117.6	1.1
2004		114.1	-0.8	108.9	-4.0	115.8	3.9	115.9	-1.4
2005		118.6	3.9	115.3	5.9	124.9	7.9	117.4	1.3
2002	I	114.8	14.3	118.2	23.6	114.2	13.0	113.3	10.6
	II	118.6	10.7	129.7	15.6	118.6	10.7	113.0	7.9
	III	118.3	10.5	125.1	11.8	108.4	10.1	119.5	10.0
	IV	123.2	7.2	126.1	12.2	128.5	3.3	119.2	6.8
2003	I	113.7	-1.0	113.1	-4.3	111.6	-2.3	115.1	1.6
	II	114.0	-3.9	114.4	-11.8	109.3	-7.8	116.0	2.7
	III	112.9	-4.6	112.1	-10.4	98.4	-9.2	120.2	0.6
	IV	119.5	-3.0	113.8	-9.8	126.3	-1.7	119.1	-0.1
2004	I	112.2	-1.3	102.5	-9.4	112.6	0.9	117.0	1.7
	II	113.7	-0.3	107.1	-6.4	117.4	7.4	115.4	-0.5
	III	111.6	-1.2	109.3	-2.5	101.9	3.6	117.3	-2.4
	IV	118.9	-0.5	116.7	2.5	131.3	4.0	114.1	-4.2
2005	I	113.5	1.2	105.5	2.9	115.5	2.6	116.6	-0.3
	II	117.6	3.4	113.9	6.3	125.9	7.2	115.7	0.3
	III	116.5	4.4	116.4	6.5	111.7	9.6	118.8	1.3
	IV	127.0	6.8	125.4	7.5	146.6	11.7	118.4	3.8
2006	I	119.2	5.0	116.9	10.8	124.1	7.4	118.0	1.2
	IIP	123.9	5.4	123.7	8.6	134.3	6.7	119.1	2.9
2004	1	118.0	-3.4	101.6	-13.6	116.7	-0.6	126.9	0.2
	2	105.7	1.3	100.5	-5.7	106.9	7.1	107.8	2.5
	3	113.0	-1.6	105.5	-8.3	114.3	-2.9	116.2	2.5
	4	113.4	-0.5	109.6	-6.7	119.5	5.3	112.5	0.2
	5	115.0	-2.3	104.4	-9.8	124.1	6.3	116.1	-2.5
	6	112.8	2.4	107.2	-2.4	108.7	11.4	117.6	0.9
	7	111.6	-0.5	114.3	-1.1	104.2	6.4	113.7	-3.1
	8	105.2	-3.1	104.7	-2.1	88.3	-0.9	113.5	-4.4
	9	117.9	0.0	109.0	-4.2	113.2	4.7	124.6	0.0
	10	116.6	-1.9	114.4	-2.1	130.0	5.5	111.2	-5.6
	11	117.3	-1.3	114.7	2.9	132.4	1.9	111.4	-5.2
	12	122.9	1.9	121.1	7.1	131.5	4.5	119.7	-1.9
2005	1	113.3	-4.0	105.3	3.6	115.7	-0.9	116.1	-8.5
	2	109.6	3.7	98.3	-2.2	108.0	1.0	116.1	7.7
	3	117.6	4.1	112.8	6.9	122.9	7.5	117.6	1.2
	4	116.7	2.9	112.8	2.9	126.7	6.0	114.0	1.3
	5	119.4	3.8	114.0	9.2	131.6	6.0	116.4	0.3
	6	116.8	3.5	114.8	7.1	119.3	9.8	116.7	-0.8
	7	117.3	5.1	126.1	10.3	113.6	9.0	114.6	0.8
	8	112.1	6.6	115.3	10.1	97.8	10.8	117.4	3.4
	9	120.0	1.8	107.8	-1.1	123.6	9.2	124.3	-0.2
	10	120.9	3.7	115.6	1.0	141.4	8.8	113.8	2.3
	11	125.3	6.8	126.2	10.0	143.0	8.0	116.4	4.5
	12	134.7	9.6	134.5	11.1	155.5	18.3	124.9	4.3
2006	1	123.2	8.7	111.3	5.7	125.6	8.6	128.1	10.3
	2	110.6	0.9	113.4	15.4	115.9	7.3	106.6	-8.2
	3	123.7	5.2	125.9	11.6	130.8	6.4	119.2	1.4
	4	122.6	5.1	119.0	5.5	138.0	8.9	117.2	2.8
	5P	126.3	5.8	123.3	8.2	141.2	7.3	120.7	3.7
	6P	122.9	5.2	128.8	12.2	123.7	3.7	119.5	2.4

P: Preliminary

Source: Korea National Statistical Office

5. Consumer goods shipment index and consumer sentiment index

See graph 2-6

Period		Domestic consumer goods shipment index (2000=100)						Consumer sentiment index	
		Y-o-Y change (%)		Durable goods Y-o-Y change (%)		Non-durable goods Y-o-Y change (%)		Expectations index Present situation index	
2002		111.1	8.3	120.3	17.1	106.9	4.3	-	-
2003		107.3	-3.4	111.7	-7.1	104.7	-2.1	-	-
2004		105.8	-1.4	106.4	-4.7	103.6	-1.1	-	-
2005		108.0	2.1	112.6	5.8	104.2	0.6	-	-
2002	I	107.9	11.5	114.3	29.6	105.0	4.5	-	-
	II	110.7	7.3	123.3	14.6	105.2	3.7	-	-
	III	109.4	5.4	117.9	10.6	105.6	2.9	-	-
	IV	116.6	9.6	125.8	16.1	111.8	6.1	-	-
2003	I	107.0	-0.8	112.9	-1.2	104.2	-0.8	-	-
	II	104.6	-5.5	113.0	-8.4	100.6	-4.4	-	-
	III	104.2	-4.8	105.4	-10.6	103.2	-2.3	-	-
	IV	113.3	-2.8	115.5	-8.2	110.8	-0.9	-	-
2004	I	107.2	0.2	110.4	-2.2	104.8	0.6	-	-
	II	104.9	0.3	108.5	-4.0	101.3	0.7	-	-
	III	102.5	-1.6	99.6	-5.5	101.7	-1.5	-	-
	IV	108.7	-4.1	107.3	-7.1	106.5	-3.9	-	-
2005	I	102.4	-4.5	101.8	-7.8	100.6	-4.0	-	-
	II	105.3	0.4	111.2	2.5	101.3	0.0	-	-
	III	107.7	5.1	111.5	11.9	104.7	2.9	-	-
	IV	116.6	7.3	126.0	17.4	110.4	3.7	-	-
2006	I	109.1	6.5	116.8	14.7	104.3	3.7	-	-
	II ^P	110.8	5.2	125.1	12.5	103.8	2.5	-	-
2004	1	106.2	-5.7	103.3	-9.0	106.8	-4.8	101.2	72.6
	2	103.5	3.7	112.1	2.2	98.5	3.2	99.0	71.9
	3	112.0	3.2	115.7	0.3	109.0	3.7	96.4	68.5
	4	107.9	1.6	112.6	-3.0	104.2	2.8	103.0	74.9
	5	103.5	-1.4	106.7	-6.7	100.0	-0.8	97.1	70.7
	6	103.2	0.7	106.1	-2.1	99.8	0.3	94.1	67.3
	7	102.5	-0.3	102.4	-2.9	100.7	-0.8	90.8	66.2
	8	100.7	-1.9	96.6	-3.0	100.9	-2.5	88.3	63.1
	9	104.4	-2.5	99.8	-10.2	103.6	-1.1	90.1	65.0
	10	108.5	-5.5	108.7	-8.0	105.6	-5.7	89.1	65.1
	11	108.8	-0.3	109.1	-3.5	105.3	-0.5	87.8	62.8
	12	108.9	-6.2	104.1	-9.9	108.6	-5.2	86.5	62.2
2005	1	107.2	0.9	102.1	-1.2	106.9	0.1	92.5	66.5
	2	91.7	-11.4	91.4	-18.5	90.3	-8.3	102.5	83.2
	3	108.2	-3.4	112.0	-3.2	104.5	-4.1	105.7	89.6
	4	103.9	-3.7	107.5	-4.5	100.6	-3.5	104.7	90.2
	5	104.9	1.4	110.6	3.7	101.1	1.1	102.2	85.5
	6	107.1	3.8	115.4	8.8	102.1	2.3	97.8	79.7
	7	106.7	4.1	116.1	13.4	101.5	0.8	97.2	78.9
	8	107.0	6.3	108.1	11.9	105.2	4.3	96.7	78.3
	9	109.4	4.8	110.4	10.6	107.3	3.6	99.1	81.2
	10	113.8	4.9	122.4	12.6	107.8	2.1	100.0	83.4
	11	117.6	8.1	128.9	18.1	110.2	4.7	101.5	84.9
	12	118.4	8.7	126.8	21.8	113.2	4.2	103.0	85.3
2006	1	110.2	2.8	113.0	10.7	107.2	0.3	104.5	88.4
	2	103.0	12.3	113.6	24.3	97.3	7.8	103.8	89.0
	3	114.1	5.5	123.8	10.5	108.4	3.7	103.4	90.1
	4	108.3	4.2	118.0	9.8	103.0	2.4	100.6	87.2
	5	111.6 ^P	6.4 ^P	125.7 ^P	13.7 ^P	104.6 ^P	3.5 ^P	98.0	83.0
	6	112.5 ^P	5.0 ^P	131.5 ^P	14.0 ^P	103.7 ^P	1.6 ^P	97.4	81.9
	7	-	-	-	-	-	-	94.3	78.7

P: Preliminary

Source: Korea National Statistical Office

6. Machinery orders received, domestic machinery shipment and estimated facility investment index See graph 3-2

Period		Domestic machinery orders received excluding ship (billion won)				Estimated facility investment index (2000=100)	Domestic machinery shipment excluding ship (2000=100)
		Total	Public	Private	Manufacturing		
2003					22,385	2,178	20,206
2004		23,913	2,563	21,350	10,597	98.5	101.2
2005		24,260	2,484	21,776	10,195	101.8	101.8
2005	I	6,207	694	5,514	2,632	101.2	97.2
	II	6,008	390	5,618	2,800	105.3	104.8
	III	5,796	580	5,217	2,330	95.7	98.5
	IV	6,248	820	5,427	2,433	104.8	106.8
2006	I	6,901	292	6,609	3,426	105.6	102.0
	IIP	7,261	559	6,702	3,545	109.7	109.0
2005	1	2,069	97	1,972	985	96.3	91.9
	2	1,690	73	1,617	733	95.6	86.8
	3	2,448	523	1,925	914	111.7	112.9
	4	2,061	136	1,925	983	102.0	103.9
	5	1,976	112	1,864	951	108.2	103.4
	6	1,971	143	1,829	867	105.8	107.0
	7	1,938	224	1,714	780	99.3	101.8
	8	1,968	221	1,747	754	94.8	96.5
	9	1,890	134	1,756	797	93.0	97.1
	10	1,928	244	1,684	727	99.2	98.2
	11	1,929	145	1,784	798	100.5	100.6
	12	2,391	431	1,960	908	114.6	121.5
2006	1	2,110	79	2,031	964	96.4	92.9
	2	2,344	96	2,248	1,199	97.9	96.7
	3	2,446	117	2,329	1,263	122.4	116.3
	4	2,376	94	2,283	1,229	109.2	105.3
	5 ^P	2,225	93	2,132	1,074	110.9	112.9
	6 ^P	2,659	372	2,287	1,242	108.9	108.9
Y-o-Y change (%)							
2003		-8.7	-32.5	-5.1	8.8	-1.4	-1.1
2004		6.8	17.6	5.7	22.8	1.4	-1.3
2005		1.5	-3.1	2.0	-3.8	3.4	0.6
2005	I	-6.9	7.8	-8.4	-10.3	3.9	-0.3
	II	-12.2	-51.3	-7.1	-6.5	1.4	-1.1
	III	14.0	38.9	11.7	2.7	1.1	2.4
	IV	17.5	17.1	17.6	1.4	7.0	1.8
2006	I	11.2	-57.9	19.9	30.2	4.3	4.9
	IIP	20.9	43.3	19.3	26.6	4.2	4.0
2005	1	0.7	-46.9	5.4	6.0	15.5	9.0
	2	-18.7	-45.0	-16.9	-20.6	-3.7	-10.4
	3	-3.2	59.9	-12.6	-15.5	1.9	1.3
	4	-10.0	-9.6	-10.1	-14.5	0.3	0.1
	5	-14.5	-47.7	-11.1	-3.2	8.4	-0.2
	6	-12.2	-67.4	1.1	0.4	-3.7	-3.3
	7	26.2	179.8	17.8	13.1	4.3	4.6
	8	18.3	116.5	11.9	1.7	0.3	1.3
	9	0.1	-43.0	6.3	-5.0	-1.6	1.0
	10	0.7	57.2	-4.3	-24.9	1.6	-2.9
	11	11.7	-28.8	17.1	3.0	6.6	1.5
	12	42.8	26.2	47.1	38.4	12.6	6.2
2006	1	2.0	-18.9	3.0	-2.2	0.1	1.1
	2	38.7	30.2	39.1	63.5	2.4	11.4
	3	-0.1	-77.6	21.0	38.2	9.6	3.0
	4	15.3	-30.9	18.6	25.1	7.1	1.3
	5 ^P	12.6	-16.5	14.4	13.0	2.5	9.2
	6 ^P	34.9	160.9	25.1	43.2	2.9	1.8

P: Preliminary

Source: Korea National Statistical Office

7. Value of construction completed and domestic construction orders received

See graphs 4-2 & 4-3

(billion won)

Period	Value of construction completed (total)	Type of order		Domestic construction orders received (total)	Type of order	
		Public	Private		Public	Private
2003	65,553	22,789	40,646	80,897	19,571	58,271
2004	72,838	23,916	46,649	77,774	22,210	51,510
2005	77,026	23,682	50,688	85,182	22,572	59,880
2005	I	15,851	4,849	18,384	4,494	13,059
	II	20,218	6,226	25,244	6,022	18,069
	III	18,930	5,680	17,205	3,613	13,419
	IV	22,027	6,926	24,349	8,443	15,332
2006	I	16,767	4,366	16,605	3,986	12,277
	IIP	20,473	5,951	21,689	4,316	17,055
2005	1	5,031	1,529	5,405	1,436	3,520
	2	4,617	1,452	3,718	628	3,047
	3	6,202	1,868	9,261	2,430	6,492
	4	6,432	1,955	6,517	1,937	4,462
	5	6,612	1,999	8,695	1,951	6,489
	6	7,174	2,272	10,033	2,133	7,118
	7	6,115	1,807	6,795	1,174	5,519
	8	6,268	1,786	5,142	1,081	4,050
	9	6,547	2,087	5,268	1,357	3,850
	10	6,508	1,876	5,358	1,297	4,003
	11	7,219	2,106	6,382	2,287	3,981
	12	8,299	2,944	12,609	4,859	7,349
2006	1	5,158	1,371	5,996	975	4,885
	2	5,042	1,266	4,543	1,536	2,905
	3	6,567	1,729	6,066	1,475	4,488
	4	6,560	1,865	5,291	1,198	4,048
	5P	6,679	1,934	7,135	1,526	5,506
	6P	7,234	2,151	9,263	1,592	7,501
Y-o-Y change (%)						
2003	16.6	10.7	20.6	19.3	0.9	27.6
2004	11.1	4.9	14.8	-3.9	13.5	-11.6
2005	5.7	-1.0	8.7	9.5	1.6	16.2
2005	I	1.9	-1.0	22.3	22.2	18.3
	II	9.6	3.1	38.5	73.7	30.9
	III	3.8	-6.6	15.8	0.0	29.1
	IV	6.9	0.4	-17.9	-26.3	-5.8
2006	I	5.8	-10.0	-9.7	-11.3	-6.0
	IIP	1.3	-4.4	-14.1	-28.3	-5.6
2005	1	3.6	-0.8	9.1	8.2	-0.5
	2	-3.3	-1.0	-20.6	-57.0	-5.1
	3	4.7	-1.2	71.6	173.3	51.3
	4	7.8	-1.2	25.8	50.6	23.0
	5	10.5	4.5	51.7	249.4	34.3
	6	10.6	6.0	37.1	31.5	33.2
	7	4.5	-1.6	6.3	-10.5	22.1
	8	4.3	-10.0	18.3	17.8	20.1
	9	2.6	-7.7	27.8	-1.9	53.7
	10	3.0	-3.3	-35.3	-58.4	-16.9
	11	11.3	-2.4	3.2	1.6	3.8
	12	6.5	5.2	-17.0	-20.1	-3.6
2006	1	2.5	-10.3	10.9	-32.1	38.8
	2	9.2	-12.8	22.2	144.5	-4.7
	3	5.9	-7.5	-34.5	-39.3	-30.9
	4	2.0	-4.6	-18.8	-38.1	-9.3
	5P	1.0	-3.2	-17.9	-21.8	-15.1
	6P	0.8	-5.3	-7.7	-25.4	5.4

P: Preliminary

Source: Korea National Statistical Office

8. Composite indexes of business cycle indicators and BSI

See graphs 13-1, 13-2 & 13-3

Period		Leading index (2000=100)	Y-o-Y change (%)	Coincident index (2000=100)	Cycle of coincident index (2000=100)	BSI (actual)	BSI (outlook)
2003	1	114.3	5.8	117.6	101.5	90.2	91.9
	2	113.7	4.3	117.7	101.1	79.8	89.3
	3	112.2	2.2	117.5	100.6	89.3	109.0
	4	111.4	0.7	117.5	100.1	87.7	90.2
	5	111.7	0.2	117.4	99.7	84.7	108.1
	6	113.1	0.9	118.0	99.7	81.5	96.4
	7	114.1	1.3	118.1	99.4	79.1	90.3
	8	115.2	2.0	118.9	99.6	85.1	91.4
	9	115.9	2.6	119.4	99.7	89.4	109.6
	10	117.1	3.7	120.9	100.4	103.4	110.3
	11	117.7	4.3	121.6	100.6	98.9	102.8
	12	118.4	5.0	122.7	101.1	100.4	98.7
2004	1	118.9	5.2	123.4	101.2	90.7	99.8
	2	119.4	5.4	124.2	101.5	95.3	104.9
	3	119.3	5.1	124.5	101.3	104.2	113.6
	4	119.4	4.9	124.9	101.2	101.7	104.3
	5	119.6	4.8	125.1	100.9	90.2	113.2
	6	119.8	4.6	125.3	100.6	86.8	92.1
	7	119.9	4.3	125.2	100.2	83.8	86.4
	8	119.7	3.7	125.1	99.7	81.2	86.4
	9	119.8	3.3	125.4	99.4	93.4	95.5
	10	120.2	3.0	126.0	99.5	92.2	99.2
	11	120.4	2.6	126.4	99.4	82.2	90.3
	12	120.7	2.4	126.8	99.3	80.9	82.2
2005	1	120.9	2.1	127.3	99.3	84.6	77.8
	2	121.5	2.3	127.3	98.9	87.2	85.7
	3	122.5	2.9	128.1	99.0	110.7	119.2
	4	122.9	3.0	128.3	98.8	107.0	117.6
	5	123.4	3.2	129.2	99.1	98.2	114.1
	6	123.7	3.3	129.8	99.1	93.4	105.1
	7	124.7	4.0	130.8	99.5	91.7	96.5
	8	125.7	4.7	131.7	99.8	91.0	91.7
	9	126.5	5.1	132.3	99.7	99.2	111.4
	10	127.1	5.3	132.6	99.5	98.0	110.2
	11	128.3	6.0	133.6	99.9	101.8	107.8
	12	129.5	6.8	134.5	100.1	107.1	103.8
2006	1	130.8	7.5	135.9	100.8	95.4	102.6
	2	130.9	7.1	136.1	100.5	90.5	102.4
	3	130.9	6.6	136.8	100.5	111.5	118.9
	4	130.5 ^P	5.8 ^P	136.6	100.0	99.8	112.7
	5	130.6 ^P	5.3 ^P	137.0 ^P	99.9 ^P	94.1	110.7
	6	130.8 ^P	4.9 ^P	137.4 ^P	99.8 ^P	94.2	98.6
	7	-	-	-	-	79.1	94.2
	8	-	-	-	-	-	93.4

P: Preliminary

Source: Korea National Statistical Office & The Federation of Korean Industries

9. Balance of payments (I) See graphs 5-1, 5-2, 5-3, 10-1 & 10-2

(million US\$)

Period		Current balance	Goods trade balance			Services trade balance	Income trade balance	Current transfers
				Exports	Imports			
2001		8,032.6	13,488.0	150,439.1	141,097.8	-3,872.1	-1,198.1	-385.2
2002		5,393.9	14,777.4	162,470.5	152,126.2	-8,197.5	432.3	-1,618.3
2003		11,949.5	21,952.0	193,817.4	178,826.7	-7,424.2	326.3	-2,904.6
2004		28,173.5	37,568.8	253,844.7	224,462.7	-8,046.1	1,082.8	-2,432.0
2005 ^P		16,558.5	33,473.0	284,418.7	261,238.3	-13,092.2	-1,320.1	-2,502.2
2003	I	-1,556.4	1,199.3	43,035.9	44,223.5	-2,178.9	154.7	-731.5
	II	2,572.9	5,685.6	46,053.0	41,710.5	-1,486.3	-1,029.7	-596.7
	III	3,669.7	6,793.0	47,828.1	42,970.8	-2,633.0	438.7	-929.0
	IV	7,263.3	8,274.1	56,900.4	49,921.9	-1,126.0	762.6	-647.4
2004	I	6,418.4	8,585.4	59,298.9	52,797.5	-1,870.9	497.6	-793.7
	II	6,856.6	10,060.7	63,974.7	55,269.7	-1,358.1	-1,168.4	-677.6
	III	7,565.4	9,752.9	61,633.9	54,707.8	-2,305.2	461.4	-343.7
	IV	7,333.1	9,169.8	68,937.1	61,687.7	-2,511.9	1,292.2	-617.0
2005 ^P	I	5,876.9	9,155.7	66,807.6	60,626.8	-3,005.0	243.0	-516.8
	II	2,603.2	8,640.5	69,702.8	63,694.9	-3,238.5	-2,087.5	-711.3
	III	2,648.9	7,582.9	71,097.7	66,228.3	-4,359.6	27.2	-601.6
	IV	5,429.5	8,093.9	76,810.7	70,688.3	-2,489.1	497.2	-672.5
2006 ^P	I	-1,118.4	5,222.6	73,905.9	72,143.8	-4,996.3	-481.7	-863.0
	II	850.8	7,572.5	81,598.4	76,323.2	-3,878.9	-1,648.0	-1,194.8
2005 ^P	1	3,876.2	4,491.6	22,454.0	19,450.0	-863.4	492.8	-244.8
	2	949.7	1,590.0	20,401.1	18,396.9	-969.3	460.3	-131.3
	3	1,051.0	3,074.1	23,952.5	22,779.9	-1,172.3	-710.1	-140.7
	4	-994.1	2,330.1	22,872.5	21,244.5	-945.3	-2,120.2	-258.7
	5	1,358.2	2,610.4	23,122.7	21,161.8	-1,169.8	153.8	-236.2
	6	2,239.1	3,700.0	23,707.6	21,288.6	-1,123.4	-121.1	-216.4
	7	1,445.3	3,166.2	23,235.5	21,508.8	-1,465.3	-66.2	-189.4
	8	-486.5	1,585.8	23,343.0	22,000.8	-1,820.0	-45.7	-206.6
	9	1,690.1	2,830.9	24,519.2	22,718.7	-1,074.3	139.1	-205.6
	10	2,689.8	3,110.2	25,352.7	22,652.7	-590.3	297.0	-127.1
	11	2,198.1	3,178.1	25,826.2	23,849.6	-767.7	-44.4	-167.9
	12	541.6	1,805.6	25,631.7	24,186.0	-1,131.1	244.6	-377.5
2006 ^P	1	91.2	1,478.2	23,260.4	22,964.3	-1,644.1	571.4	-314.3
	2	-782.8	837.3	23,790.5	23,416.1	-1,808.2	418.9	-230.8
	3	-426.8	2,907.1	26,855.0	25,763.4	-1,544.0	-1,472.0	-317.9
	4	-1,608.1	1,883.9	25,550.0	24,314.0	-1,345.7	-1,876.5	-269.8
	5	1,359.4	2,815.3	27,937.8	26,055.1	-1,354.7	387.1	-488.3
	6	1,099.5	2,873.3	28,110.5	25,954.0	-1,178.5	-158.6	-436.7

P: Preliminary

Source: The Bank of Korea & Korea Customs Service

10. Balance of payments (II) See graph 10-3

(million US\$)

Period	Capital & financial account					Changes in reserve assets	Errors and omissions
		Direct investment	Portfolio investment	Other investment	Capital transfers & acquisition of non-financial assets		
2001	-3,390.8	1,107.6	6,583.4	-10,350.8	-731.0	-7,575.8	2,934.0
2002	6,251.5	-224.2	708.7	6,853.8	-1,086.8	-11,799.4	154.0
2003	13,909.4	100.0	17,906.5	-2,698.7	-1,398.4	-25,849.4	-9.5
2004	7,598.8	4,588.3	8,619.3	-3,856.0	-1,752.8	-38,710.5	2,938.2
2005 ^P	490.5	26.3	-1,318.7	4,095.9	-2,313.0	-19,806.3	2,757.3
2003	I	1,367.9	-417.8	-1,054.2	3,150.7	-310.8	-926.3
	II	2,705.2	-141.9	3,642.5	-408.8	-386.6	-5,720.0
	III	3,639.5	-404.5	7,731.2	-3,304.2	-383.0	-8,516.7
	IV	6,196.8	1,064.2	7,587.0	-2,136.4	-318.0	-10,686.5
2004	I	3,980.6	-680.6	10,260.3	-5,226.3	-372.8	-8,746.9
	II	-6,066.6	3,163.8	-757.0	-8,002.9	-470.5	-4,005.5
	III	-1,137.1	144.4	1,621.2	-2,514.9	-387.8	-6,805.7
	IV	10,821.9	1,960.7	-2,505.2	11,888.1	-521.7	-19,152.4
2005 ^P	I	3,208.1	-680.8	-1,329.3	5,725.8	-507.6	-9,513.8
	II	1,480.4	1,184.3	-2,379.4	3,341.7	-666.2	-2,817.4
	III	-906.7	-405.8	184.4	-35.8	-649.5	-2,300.3
	IV	-3,291.3	-71.4	2,205.6	4,935.8	-489.7	-5,174.8
2006 ^P	I	6,524.4	-1,306.7	1,436.2	7,083.8	-688.9	-5,679.3
	II	3,684.4	780.4	-14,176.7	17,880.6	-799.9	-4,315.7
2005 ^P	1	-822.5	-23.1	-1,548.8	935.9	-186.5	-2,874.3
	2	487.5	-475.2	1,704.4	-598.2	-143.5	-1,848.5
	3	3,543.1	-182.5	-1,484.9	5,388.1	-177.6	-4,791.0
	4	1,959.8	1,390.3	-1,035.0	1,841.4	-236.9	-625.4
	5	797.9	-266.9	-574.7	1,881.5	-242.0	-1,636.9
	6	-1,277.3	60.9	-769.7	-381.2	-187.3	-555.1
	7	-773.6	-502.0	2,766.2	-2,829.8	-208.0	-873.3
	8	509.4	325.0	-977.1	1,375.8	-214.3	-450.4
	9	-642.5	-228.8	-1,604.7	1,418.2	-227.2	-976.6
	10	-2,279.2	-136.7	-3,411.0	1,433.3	-164.8	-715.9
	11	-264.1	-154.7	5,420.1	-5,338.1	-191.4	-2,518.7
	12	-748.0	220.0	196.5	-1,031.0	-133.5	-1,940.2
2006 ^P	1	3,628.2	-319.4	609.5	3,561.3	-223.2	-5,432.6
	2	2,110.2	190.4	2,207.1	-92.7	-194.6	140.7
	3	786.0	-1,177.7	-1,380.4	3,615.2	-271.1	-387.4
	4	4,862.8	585.2	-3,180.0	7,745.1	-287.5	-3,354.6
	5	513.1	125.6	-7,880.1	8,509.1	-241.5	-495.6
	6	-1,691.5	69.6	-3,116.6	1,626.4	-270.9	-465.5

P: Preliminary

Source: The Bank of Korea

11. Prices See graphs 11-1, 11-2 & 11-3

(2000 = 100)

Period		Consumer prices				Producer prices		Export & import prices	
		All Items	Commodity	Service	Core	All items	Commodity	Export	Import
2002		106.9	106.4	107.5	106.7	99.2	97.7	89.5	97.1
2003		110.7	109.8	111.4	110.0	101.4	99.7	87.5	98.9
2004		114.7	114.5	114.8	113.2	107.6	107.2	92.9	108.9
2005		117.8	118.1	117.5	115.8	109.9	109.8	86.7	112.0
2005	1	116.2	115.9	116.4	114.9	108.6	108.2	86.9	104.4
	2	116.9	117.3	116.5	115.1	109.0	108.8	86.8	104.8
	3	117.8	118.0	117.5	115.8	109.5	109.5	87.1	108.2
	4	117.9	118.6	117.3	115.8	110.2	110.5	87.0	110.5
	5	117.7	118.0	117.4	115.8	109.6	109.7	84.2	107.5
	6	117.3	117.0	117.4	115.8	109.0	108.7	85.1	110.6
	7	117.8	117.9	117.7	115.9	109.9	109.8	87.5	114.3
	8	118.2	118.6	117.8	116.0	110.2	110.3	87.0	116.5
	9	119.0	120.4	117.9	116.2	110.8	111.0	88.8	118.8
	10	118.8	119.8	117.9	116.2	111.0	111.2	89.1	118.6
	11	118.0	117.8	118.2	116.1	110.4	110.3	86.4	115.5
	12	118.4	118.4	118.4	116.4	110.2	109.9	85.0	114.8
2006	1	119.4	119.8	119.0	116.8	110.9	110.7	83.8	115.0
	2	119.6	120.1	119.3	117.0	110.9	110.7	82.5	113.7
	3	120.2	119.7	120.5	117.6	111.0	110.9	83.3	114.3
	4	120.3	119.8	120.7	117.7	111.8	111.9	83.6	117.2
	5	120.5	120.0	120.9	118.1	112.5	112.8	84.7	119.7
	6	120.3	119.5	120.9	118.3	112.5	112.9	86.2	120.7
	7	120.5	119.5	121.4	118.4	113.0	113.5	87.1	123.3
Y-o-Y change (%)									
2002		2.7	2.8	2.8	3.0	-0.3	-1.2	-7.0	-6.2
2003		3.6	3.2	3.6	3.1	2.2	2.0	-2.2	1.8
2004		3.6	4.3	3.1	2.9	6.1	7.5	6.2	10.2
2005		2.7	3.1	2.4	2.3	2.1	2.4	-6.7	2.9
2005	1	3.1	3.2	3.1	3.1	4.1	5.3	-5.4	-0.8
	2	3.3	3.7	2.9	3.2	3.2	4.0	-4.9	-0.3
	3	3.1	3.3	2.6	2.8	2.7	3.3	-4.5	1.4
	4	3.1	4.0	2.4	2.7	2.9	3.6	-4.4	3.6
	5	3.1	3.8	2.4	2.5	2.1	2.4	-10.3	-2.7
	6	2.7	3.0	2.4	2.3	1.6	1.6	-7.9	1.8
	7	2.5	3.1	2.1	2.1	2.0	2.3	-6.6	3.6
	8	2.0	1.8	2.1	1.9	1.4	1.6	-9.3	2.7
	9	2.7	3.3	2.2	1.9	1.6	1.6	-7.4	6.3
	10	2.5	3.0	2.0	1.8	1.7	1.7	-8.5	3.1
	11	2.4	2.8	2.1	1.9	1.1	0.9	-7.1	5.6
	12	2.6	3.4	2.0	1.9	1.7	1.6	-3.2	10.2
2006	1	2.8	3.4	2.2	1.7	2.1	2.3	-3.6	10.2
	2	2.3	2.4	2.4	1.7	1.7	1.8	-4.9	8.5
	3	2.0	1.4	2.6	1.6	1.4	1.3	-4.4	5.7
	4	2.0	1.0	2.9	1.6	1.5	1.3	-4.0	6.1
	5	2.4	1.7	3.0	2.0	2.7	2.8	0.6	11.3
	6	2.6	2.1	3.0	2.2	3.2	3.9	1.3	9.2
	7	2.3	1.4	3.1	2.2	2.8	3.4	-0.5	7.9

Source: Korea National Statistical Office

12. Employment and earnings See graphs 8-1, 8-2 & 8-3

Period		Economically active persons (thous.)				Unemployment (%)	All industry earnings (won) (base year=2000)	
		Employed persons (thous.)					Manufacturing	
		All industry	Manufacturing	S.O.C.&service				
2003		22,957	22,139	4,205	15,967	3.6	2,228,491	2,073,992
2004		23,417	22,557	4,290	16,427	3.7	2,372,612	2,279,724
2005		23,743	22,856	4,234	16,789	3.7	2,524,917	2,458,022
2005	1	23,058	22,078	4,252	16,403	4.2	2,381,738	2,259,398
	2	23,074	22,086	4,255	16,352	4.3	2,656,764	2,694,615
	3	23,531	22,576	4,274	16,575	4.1	2,352,840	2,197,945
	4	23,839	22,934	4,271	16,707	3.8	2,378,458	2,329,572
	5	24,051	23,199	4,249	16,868	3.5	2,184,497	2,037,326
	6	24,123	23,246	4,251	16,921	3.6	2,580,189	2,494,606
	7	24,072	23,184	4,233	16,931	3.7	2,496,925	2,450,956
	8	23,689	22,847	4,167	16,713	3.6	2,461,924	2,404,969
	9	23,918	23,048	4,201	16,892	3.6	2,759,394	2,655,434
	10	24,056	23,186	4,241	16,966	3.6	2,413,960	2,370,892
	11	23,976	23,191	4,197	17,137	3.3	2,282,356	2,097,699
	12	23,526	22,699	4,220	17,007	3.5	3,349,475	3,504,729
2006	1	23,340	22,471	4,201	16,893	3.7	2,865,004	2,803,400
	2	23,365	22,412	4,184	16,763	4.1	2,451,498	2,376,782
	3	23,769	22,848	4,179	16,986	3.9	2,481,580	2,322,720
	4	24,088	23,242	4,188	17,186	3.5	2,504,830	2,424,268
	5	24,267	23,484	4,170	17,293	3.2	-	-
	6	24,320	23,501	4,184	17,294	3.4	-	-
	7	24,270	23,447	4,180	17,303	3.4	-	-
Y-o-Y change (%)								
2003		0.2	-0.1	-0.9	0.8	-	9.4	8.8
2004		2.0	1.9	2.0	2.9	-	6.5	9.9
2005		1.4	1.3	-1.3	2.2	-	6.4	7.8
2005	1	0.9	0.6	-0.1	1.4	-	-5.0	-4.8
	2	0.5	0.4	-0.4	1.2	-	21.0	27.9
	3	1.0	0.9	-0.8	1.9	-	8.0	8.4
	4	1.3	1.2	-1.2	1.9	-	7.4	11.1
	5	2.0	2.0	-0.9	2.5	-	5.3	7.1
	6	2.1	1.9	-1.5	2.5	-	9.1	11.0
	7	1.9	1.9	-1.8	2.6	-	5.7	6.4
	8	2.0	2.1	-1.4	3.1	-	5.1	9.6
	9	1.3	1.0	-2.2	2.0	-	5.1	5.6
	10	1.5	1.2	-1.9	2.4	-	6.9	10.0
	11	1.5	1.7	-2.5	2.9	-	6.5	6.7
	12	0.6	0.9	-1.0	2.0	-	4.2	0.7
2006	1	1.2	1.8	-1.2	3.0	-	20.3	24.1
	2	1.3	1.5	-1.7	2.5	-	-7.7	-11.8
	3	1.0	1.2	-2.2	2.5	-	5.5	5.7
	4	1.0	1.3	-1.9	2.9	-	5.3	4.1
	5	0.9	1.2	-1.9	2.5	-	-	-
	6	0.8	1.1	-1.6	2.2	-	-	-
	7	0.8	1.1	-1.2	2.2	-	-	-

Source: Korea National Statistical Office

13. Financial indicators See graphs 9-1 & 9-4

(period average)

Period		Yields (%)					Stock
		Call rate (1 day)	CD (91 days)	Corporate bonds (3 years, AA-)	Treasury bonds (3 years)	Treasury bonds (5 years)	KOSPI (end-period)
2003	1	4.3	4.7	5.5	5.0	5.2	591.90
	2	4.3	4.5	5.3	4.7	4.9	575.40
	3	4.2	4.8	5.4	4.8	4.9	535.70
	4	4.2	4.6	5.4	4.6	4.8	599.40
	5	4.1	4.4	5.3	4.3	4.4	633.40
	6	4.0	4.3	5.3	4.1	4.2	669.90
	7	3.8	4.2	5.7	4.4	4.6	713.50
	8	3.7	3.9	5.9	4.6	4.9	759.50
	9	3.7	3.8	5.2	4.3	4.5	697.50
	10	3.8	3.9	5.2	4.3	4.5	782.40
	11	3.8	4.2	5.5	4.8	5.1	796.20
	12	3.8	4.3	5.6	4.9	5.1	810.70
2004	1	3.8	4.3	5.7	4.9	5.2	848.50
	2	3.8	4.1	5.6	4.8	5.1	883.40
	3	3.8	3.9	5.4	4.6	4.9	880.50
	4	3.8	3.9	5.3	4.5	4.9	862.80
	5	3.8	3.9	5.1	4.4	4.8	803.80
	6	3.8	3.9	4.9	4.3	4.6	785.80
	7	3.8	3.9	4.8	4.2	4.5	735.30
	8	3.6	3.7	4.4	3.8	4.0	803.60
	9	3.5	3.5	4.1	3.6	3.8	835.10
	10	3.5	3.5	4.0	3.5	3.7	834.80
	11	3.3	3.4	3.9	3.4	3.5	878.10
	12	3.3	3.4	3.7	3.3	3.4	895.90
2005	1	3.3	3.5	4.1	3.7	3.9	932.70
	2	3.3	3.6	4.6	4.2	4.5	1,011.40
	3	3.3	3.6	4.5	4.0	4.3	965.70
	4	3.3	3.5	4.3	3.9	4.1	911.30
	5	3.3	3.5	4.1	3.7	3.9	970.20
	6	3.3	3.5	4.2	3.8	4.0	1,008.20
	7	3.3	3.5	4.5	4.1	4.4	1,111.30
	8	3.3	3.5	4.8	4.3	4.7	1,083.30
	9	3.3	3.7	4.9	4.5	4.8	1,221.00
	10	3.4	3.9	5.2	4.8	5.1	1,158.10
	11	3.5	4.0	5.5	5.1	5.4	1,297.40
	12	3.7	4.0	5.5	5.1	5.3	1,379.40
2006	1	3.7	4.2	5.5	5.0	5.3	1,399.80
	2	3.9	4.3	5.3	4.9	5.0	1,371.60
	3	4.0	4.3	5.3	4.9	5.1	1,359.60
	4	4.0	4.3	5.2	5.0	5.2	1,419.73
	5	4.0	4.4	5.1	4.8	4.9	1,317.70
	6	4.2	4.5	5.2	4.9	5.0	1,295.15
	7	4.2	4.6	5.2	4.9	5.0	1,297.80

Source: The Bank of Korea

14. Monetary indicators See graph 9-5

(period average)

(billion won)

Period		Reserve money	M1	M2	Lf
2000		26,357.0	183,349.9	691,393.5	882,764.3
2001		29,375.9	216,442.4	739,337.0	967,324.9
2002		33,579.3	265,042.4	824,227.8	1,092,168.8
2003		35,754.7	283,397.4	888,988.6	1,187,839.8
2004		37,272.4	306,842.5	929,640.6	1,260,547.1
2005		38,785.2	332,902.1	993,960.1	1,348,818.8
2005	1	37,910.0	321,944.6	958,086.2	1,304,348.9
	2	39,675.3	329,012.5	965,151.9	1,311,526.5
	3	38,039.2	334,697.1	977,425.0	1,320,803.3
	4	37,932.3	334,317.9	982,103.7	1,323,671.8
	5	37,911.3	331,442.5	985,474.4	1,329,193.8
	6	37,842.3	337,217.3	995,904.3	1,347,536.3
	7	38,103.3	346,659.4	1,004,960.2	1,361,474.7
	8	38,630.0	346,984.8	1,008,802.0	1,366,592.7
	9	39,864.5	347,135.3	1,008,223.6	1,371,084.6
	10	39,732.8	339,969.4	1,008,215.2	1,374,836.2
	11	39,461.4	307,025.1	1,011,582.7	1,381,692.7
	12	40,319.5	318,419.2	1,021,591.6	1,393,063.7
2006	1	41,336.0	327,542.1	1,027,697.4	1,398,707.3
	2	41,655.5	326,548.3	1,034,711.9	1,407,971.3
	3	40,991.9	325,711.9	1,042,293.6	1,413,306.8
	4	41,190.0	324,222.6	1,048,598.6	1,421,447.5
	5	40,734.4	323,908.4	1,055,855.4	1,430,748.5
	6	40,715.1	326,949.2	1,072,886.5	1,445,691.8 ^P
Y-o-Y change (%)					
2000		20.0	24.5	2.2	5.6
2001		11.5	18.1	6.9	9.6
2002		14.3	22.5	11.5	12.9
2003		6.5	6.9	7.9	8.8
2004		4.2	8.3	4.6	6.1
2005		4.1	8.5	7.0	7.0
2005	1	-2.5	6.3	6.3	7.0
	2	5.3	8.5	6.4	6.8
	3	1.8	9.4	6.6	6.5
	4	2.6	9.5	5.9	6.6
	5	2.5	9.5	7.0	6.6
	6	2.5	10.8	7.4	7.2
	7	5.6	13.3	7.9	7.5
	8	5.8	14.4	7.7	7.6
	9	6.9	12.8	6.6	6.9
	10	5.2	9.7	6.5	6.9
	11	5.7	-1.1	6.6	7.2
	12	7.8	-0.5	7.0	7.4
2006	1	9.0	1.7	7.3	7.2
	2	5.0	-0.8	7.2	7.4
	3	7.8	-2.7	6.6	7.0
	4	8.6	-3.0	6.8	7.4
	5	7.5	-2.3	7.1	7.6
	6	7.6	-3.0	7.3	7.3 ^P

P: Preliminary

Source: The Bank of Korea

15. Exchange rates See graphs 9-2 & 9-3

Period		₩/US\$		₩/100 ¥		₩/Euro	
		End-period	Average	End-period	Average	End-period	Average
2002		1,200.4	1,251.2	1,012.9	999.6	1,257.4	1,180.6
2003		1,197.8	1,191.9	1,119.6	1,029.8	1,502.6	1,348.3
2004		1,043.8	1,144.7	1,012.1	1,058.8	1,423.0	1,422.9
2005		1,013.0	1,024.3	859.9	930.7	1,199.3	1,274.0
2005	1	1,026.4	1,038.2	990.1	1,005.7	1,336.2	1,363.7
	2	1,008.1	1,022.4	957.6	974.8	1,334.4	1,333.9
	3	1,024.3	1,007.5	952.5	957.1	1,323.5	1,328.6
	4	1,002.5	1,010.9	944.7	942.6	1,293.7	1,308.8
	5	1,002.5	1,002.2	928.4	939.4	1,251.3	1,271.8
	6	1,024.4	1,010.9	927.3	930.1	1,237.7	1,229.1
	7	1,028.3	1,037.4	915.8	927.2	1,247.2	1,249.5
	8	1,031.0	1,021.2	925.6	921.8	1,259.2	1,254.5
	9	1,038.0	1,029.3	915.9	927.1	1,247.4	1,262.1
	10	1,042.7	1,046.3	900.4	910.9	1,256.7	1,258.0
	11	1,036.3	1,041.4	865.4	880.1	1,219.3	1,229.0
	12	1,013.0	1,024.2	859.9	863.9	1,199.3	1,214.0
2006	1	971.0	987.0	824.9	854.3	1,173.8	1,194.8
	2	969.0	970.2	833.8	822.4	1,147.9	1,159.7
	3	975.9	975.1	831.7	831.3	1,187.1	1,172.8
	4	945.7	954.4	828.3	814.8	1,184.9	1,169.9
	5	947.4	941.4	842.2	843.0	1,208.0	1,201.7
	6	960.3	955.2	834.0	833.0	1,215.9	1,208.7
	7	953.1	950.2	830.2	821.4	1,216.4	1,206.2
Y-o-Y change (%)							
2002		-9.5	-3.1	0.3	-5.9	7.2	2.1
2003		-0.2	-4.7	10.5	3.0	19.5	14.2
2004		-12.9	-4.0	-9.6	2.8	-5.3	5.5
2005		-3.0	-10.5	-15.0	-12.1	-15.7	-10.5
2005	1	-12.5	-12.3	-10.6	-9.6	-8.3	-8.7
	2	-14.2	-12.4	-10.7	-11.0	-8.7	-9.5
	3	-11.2	-13.6	-12.6	-10.8	-5.8	-7.1
	4	-14.2	-12.2	-11.1	-12.0	-7.3	-5.3
	5	-14.0	-14.9	-12.1	-10.4	-12.3	-9.9
	6	-11.1	-12.8	-12.9	-12.2	-11.2	-12.7
	7	-12.0	-10.4	-12.1	-12.5	-11.3	-12.1
	8	-10.6	-11.9	-11.7	-12.2	-9.4	-11.2
	9	-9.6	-10.3	-11.4	-11.3	-11.9	-9.9
	10	-7.4	-8.6	-15.0	-13.2	-12.4	-12.0
	11	-1.1	-4.6	-15.0	-15.5	-12.3	-13.2
	12	-3.0	-2.6	-15.0	-14.7	-15.7	-13.8
2006	1	-5.4	-4.9	-16.7	-15.1	-12.2	-12.4
	2	-3.9	-5.1	-12.9	-15.6	-14.0	-13.1
	3	-4.7	-3.2	-12.7	-13.2	-10.3	-11.7
	4	-5.7	-5.6	-12.3	-13.6	-8.4	-10.6
	5	-5.5	-6.1	-9.3	-10.3	-3.5	-5.5
	6	-6.3	-5.5	-10.1	-10.4	-1.8	-1.7
	7	-7.3	-8.4	-9.3	-11.4	-2.5	-3.5

Source: The Bank of Korea

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