

Republic of Korea
**ECONOMIC
BULLETIN**

The Green Book: Current Economic Trends **03**

Policy Issues **40**

KORUS FTA: Expected Effects

Economic News Briefing **51**

KORUS FTA to Spur Economic Growth

Korea Grew 5% Last Year

2006 Consolidated Fiscal Balance at a 3.6 Trillion Won Surplus

President Roh Visits Middle East to Boost Economic Ties

Statistical Appendices **57**



Republic of Korea

Economic Bulletin

The Green Book: Current Economic Trends

<i>Overview</i>	3
1. Global economy	4
2. Private consumption	8
3. Facility investment	12
4. Construction investment	14
5. Exports and imports (customs clearance basis)	16
6. Industrial activity	18
7. Service sector activity	20
8. Employment	22
9. Financial markets	24
9.1 Stock market	
9.2 Exchange rate	
9.3 Bond market	
9.4 Money supply & money market	
10. Balance of payments	28
11. Prices and international commodity prices	30
11.1 Prices	
11.2 International oil and commodity prices	
12. Real estate market	34
12.1 Housing market	
12.2 Land market	
13. Composite indexes of business cycle indicators	38

Policy Issues 40

KORUS FTA: Expected effects

Economic News Briefing 51

Statistical Appendices 57

The Green Book

Current Economic Trends

Overview

The recent economic indicators became volatile due to seasonal factors such as effects from the Lunar New Year's falling in February this year as opposed to January last year.

February industrial output remained almost unchanged, posting a 0.5 percent growth from the previous month or a 0.4 percent fall year-on-year. The steadiness was attributable to the decreased days operated by 1.5 days due to the Lunar New Year's falling in February this year. Meantime, the growth pace of service activities expanded 6.6 percent, slightly more than 5.0 percent in January.

Consumer goods sales in February surged 12.4 percent year-on-year due mainly to the Lunar New Year holidays.

Estimated facility investment jumped 12.4 percent in February year-on-year on the back of robust investment in special industrial machinery. Construction completed continued to climb to post a 8.3 percent increase.

March exports maintained a double-digit growth of 14.0 percent year-on-year despite the shortened days operated by 0.5 days.

February current account reversed its course to register a US\$490 million surplus. The surplus was driven by widened goods and income account surpluses despite widening services deficit.

Jobs growth registered 262,000 year-on-year in February, accelerating the pace from 258,000 in January.

March consumer prices stabilized with a 2.2 percent rise year-on-year, despite increase in tuition fees at the beginning of new school year and high prices of agricultural, livestock and fishery products.

The Korean economy in 2007 is expected to expand a mid 4 percent provided external conditions do not deteriorate sharply amid a trend of lower growth in the first half and higher in the second.

The government will closely examine the domestic demand trend to support growth mostly in line with potential. It will also focus on macroeconomic and fine-tuning measures to compensate the domestic economy, so as to ease difficulties of ordinary people.

The government will continue its endeavor to expand growth engines by improving the business environment and strengthening competitiveness of the service industry. The government will also enhance efforts to compensate the sluggish construction investment.

1. Global economy

The global economy maintained solid growth on the back of growth in Japan, the eurozone and China, despite further moderation of the US economic growth rate.

However, downside risks exist such as probability of growing uncertainty in the international financial market affected by the Chinese additional tightening measures and concerns over the unwinding of the yen carry trade.

US

The economic indicators suggest mixed trend with consumption compensating the sluggishness in the corporate sector amid the unstable US price index.

As for the housing market, existing home sales rose 3.9 percent in February despite the subprime mortgage concerns while new home sales continuing to drop. Facility investment sluggishness sustained with new orders for core capital goods (excluding non-defense and aircraft) decreasing for two consecutive months. Facility investment fell 7.4 percent in January and 1.2 percent in February at an annualized rate.

The US personal income and consumption in March hovered above the market expectations, posting a 0.6 percent rise respectively from the previous month. The more-than-expected rise was attributable to the payment of bonuses and stock options, and asset income increase.

Expectations on interest rate cut were lowered as the Federal Reserve Board chairman Ben Bernake told the Joint Economic Committee of Congress on March 28 that monetary policy is still aimed at combating inflation even though risks to economic growth are multiplying.

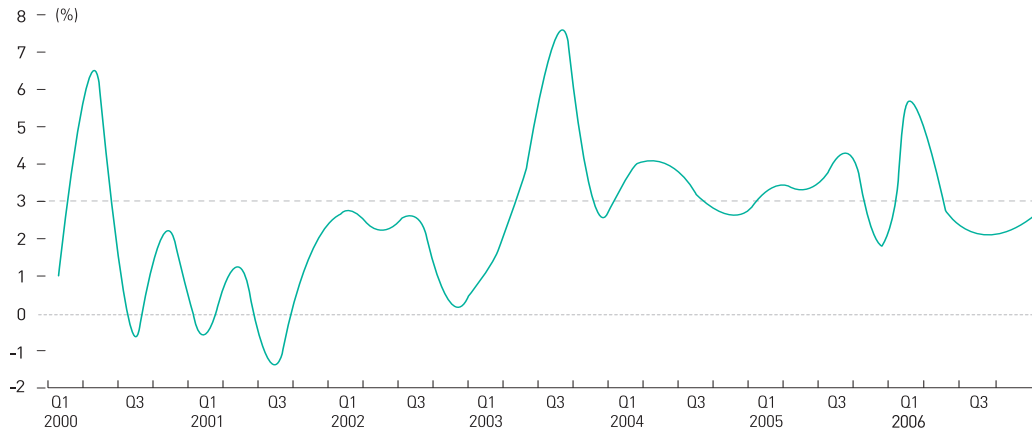
(Percentage change from previous period)

	2005	2006				2007		
	Annual	Annual	Q1	Q2	Q3	Q4	Jan	Feb
Real GDP ¹	3.2	3.3	5.6	2.6	2.0	2.5	-	-
Industrial production	3.2	3.5	5.0	6.5	4.0	-1.2	-0.3	1.0
Retail sales	7.2	6.3	3.2	0.8	0.9	0.1	0.0	0.1
New non-farm payroll employment (q-o-q, thousand)	2,273	2,478	741	520	529	509	146	97
New home sales	6.6	-17.6	-13.3	-1.0	-8.4	-0.7	-15.8	-3.9
Core consumer prices (y-o-y, %)	2.2	2.5	2.1	2.1	2.5	2.8	2.7	2.7

1. Annualized rate

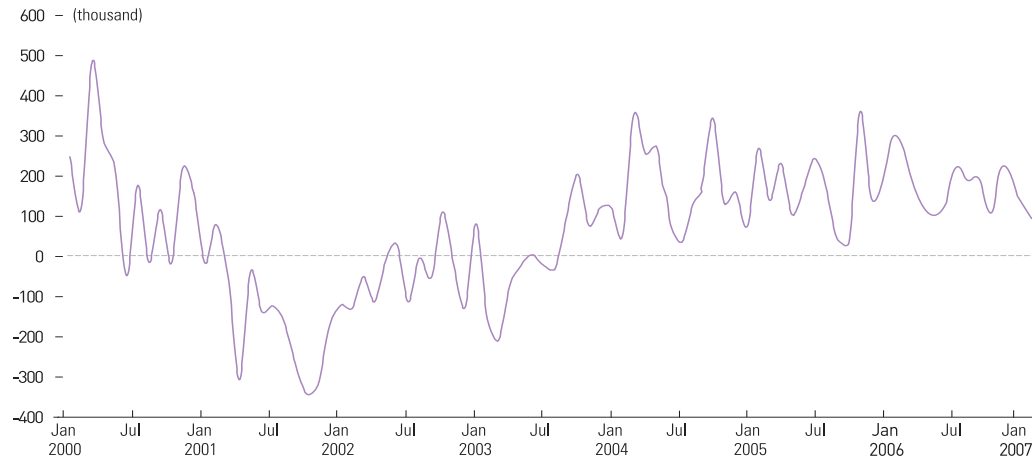
1-1 US GDP (q-o-q, annualized rate)

Source: US Department of Commerce



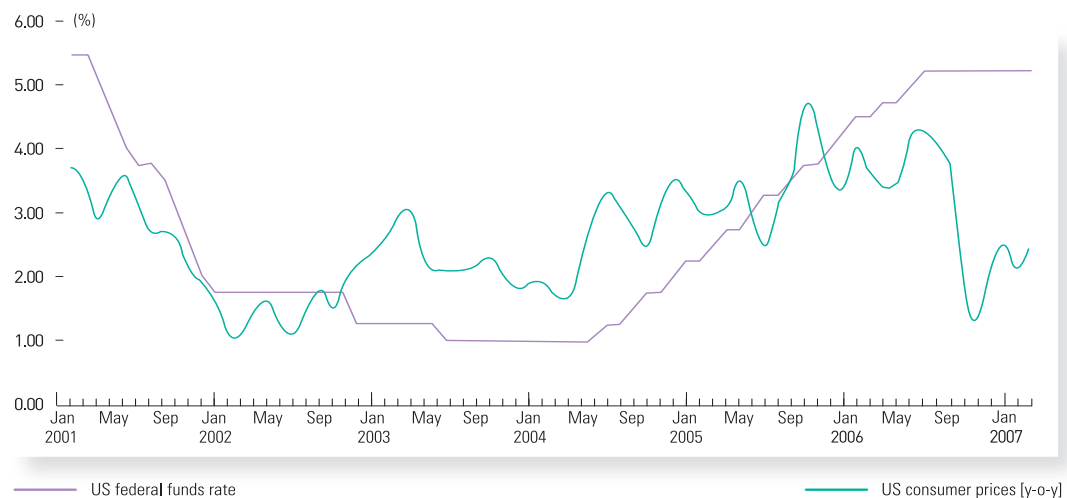
1-2 US non-farm payroll employment (m-o-m change)

Source: US Department of Labor



1-3 US federal funds rate and consumer prices

Source: US Federal Reserve Board & Department of Labor



China

Trade surplus considerably widened to US\$23.8 billion in February driven by export surge despite the People's Bank of China's raising the reserve requirements of banks by 0.5 percentage points twice earlier this year. Both money supply and new loans jumped by 17.8 and 36.8 percent year-on-year respectively.

Amid continued price instability, PBC raised the one-year rate for deposits and loans by 0.27 percentage points each on March 17.

(Percentage change from same period in previous period)

	2005		2006				2007	
	Annual	Annual	Q1	Q2	Q3	Q4	Jan	Feb
Real GDP	10.2	10.7	10.3	11.3	10.4	10.4	-	-
Fixed asset investment (accumulated)	27.2	24.5	29.8	31.3	28.2	24.5	-	23.4
Retail sales	12.9	13.7	12.8	13.9	13.8	14.3	-	14.7
Exports	28.4	27.2	26.6	24.1	28.7	29.1	33.0	51.7
Consumer prices	1.8	1.5	1.2	1.3	1.3	2.0	2.2	2.7

Japan

Employment stability continued as evidenced by unemployment rate of 4.0 percent for four consecutive months. Industrial output turned to growth trend after indicating decrease. Meantime, core consumer prices (excluding fresh food) dropped in ten months due to falling oil prices, likely to delay additional interest rate rise.

(Percentage change from previous period)

	2005		2006				2007	
	Annual	Annual	Q1	Q2	Q3	Q4	Jan	Feb
Real GDP	1.9	2.2	0.7	0.3	0.1	1.3	-	-
Industrial production	1.5	4.3	0.6	0.9	1.0	2.6	-1.7	-0.2
Retail sales	1.4	0.2	1.8	-0.4	-0.8	-0.7	2.2	-0.9
Exports (y-o-y, %)	7.3	14.6	17.6	14.7	15.6	11.2	19.0	9.7
Core consumer prices (y-o-y, %)	-1.4	0.1	-0.0	0.0	0.2	0.1	0.0	-0.1

Eurozone

Amid continued economic expansion, the European Central Bank (ECB) raised its key interest rate a quarter of a percentage point to 3.75 percent on March 8 and signaled to markets that the ECB is looking at raising rates again.

The ECB's president Jean-Claude Trichet said that the monetary policy continues to be on the accommodative side. He also mentioned that the bank was not relaxing its stance of monitoring inflation risks.

(Percentage change from previous period)

	2005		2006				2007		
	Annual	Annual	Q1	Q2	Q3	Q4	Jan	Feb	Mar
Real GDP	1.4	2.6	0.8	1.0	0.5	0.9	-	-	-
Industrial production	1.3	3.8	1.0	1.3	0.9	0.5	-0.2	-	-
Retail sales	2.2	4.7	2.0	0.9	1.2	0.5	-1.0	-	-
Exports (y-o-y, %)	7.7	11.2	15.8	9.3	7.8	12.0	13.1	-	-
Consumer prices (y-o-y, %)	2.2	2.2	2.3	2.4	2.2	1.8	1.8	1.8	1.9

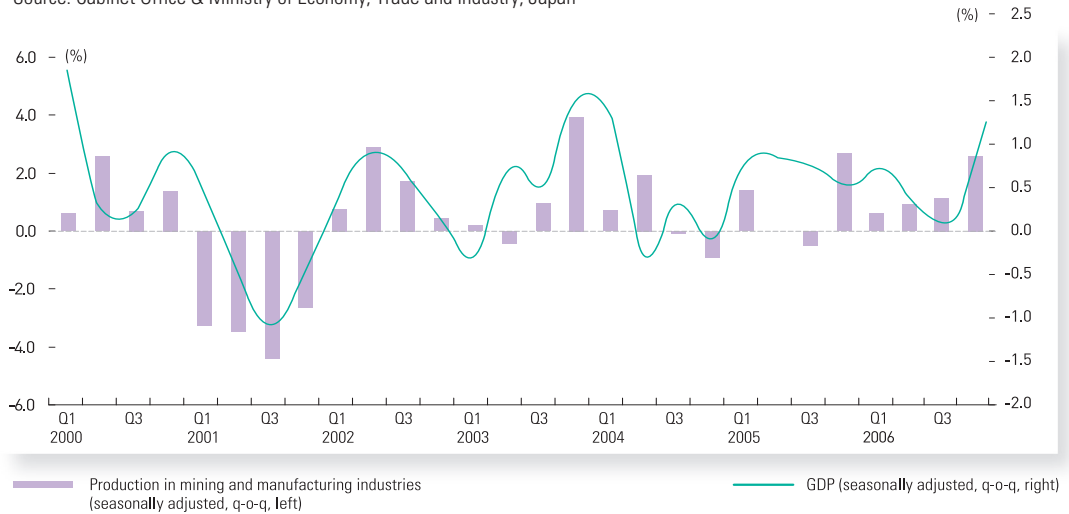
1-4 China's GDP and fixed asset investment

Source: National Bureau of Statistics of China



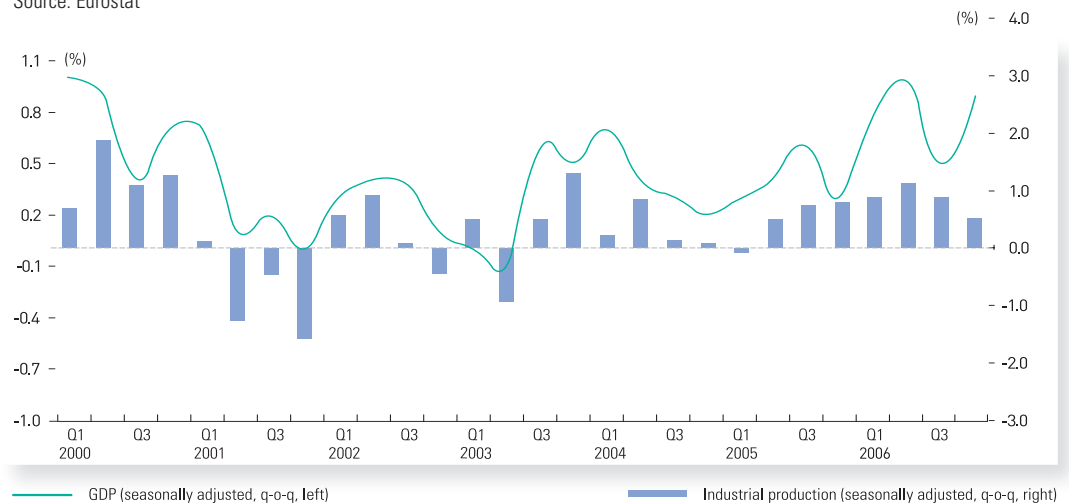
1-5 Japan's GDP growth

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



1-6 Eurozone GDP growth and industrial production

Source: Eurostat



2. Private consumption

The pace of private consumption growth kept on moderating into the fourth quarter of 2006 (*preliminary GDP*) from the beginning of the year. It gained on-year 3.7 percent or on-quarter 1.0 percent.

Private consumption

(y-o-y, %): 4.8 (Q4 2005) ↻ 5.2 (Q1 2006) ↻ 4.1 (Q2) ↻ 4.0 (Q3) ↻ 3.7 (Q4)

(SA*, q-o-q, %): 1.2 (Q4 2005) ↻ 1.2 (Q1 2006) ↻ 0.6 (Q2) ↻ 0.9 (Q3) ↻ 1.0 (Q4)

* SA: *seasonally adjusted*

Consumer goods sales in February jumped 12.4 percent as the Lunar New Year holidays falling in February as opposed to January in the previous year.

Durable goods sales led by automobiles moderated while non-durable goods sales, directly influenced by the Lunar New Year holidays, surged.

(Percentage change from same period in previous year)

	2005		2006				2007		
	Annual	Annual	Feb	Q1	Q2	Q3	Q4	Jan ¹	Feb ¹
Consumer goods sales	4.1	4.7	1.4	5.3	6.1	2.9	4.5	2.7	12.4
(Seasonally adjusted) ²	-	-	-0.7	0.0	1.9	-0.2	3.0	0.4	2.4
- Durable goods ³	6.5	11.0	16.1	11.5	11.3	11.4	9.6	21.2	12.9
• Automobiles	9.5	8.1	34.6	22.6	8.1	4.2	1.3	17.0	5.5
- Semi-durable goods ⁴	7.9	5.1	7.4	7.4	6.7	2.9	3.6	5.2	7.2
- Non-durable goods ⁵	1.2	1.1	-8.2	1.2	3.0	-1.7	2.0	-7.3	14.9

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.

Sales growth in department stores and large discount stores all reversed course to post an increase in February. The increase was on the back of surge in non-durable goods sales including food and beverage as the Lunar New Year fell in February this year.

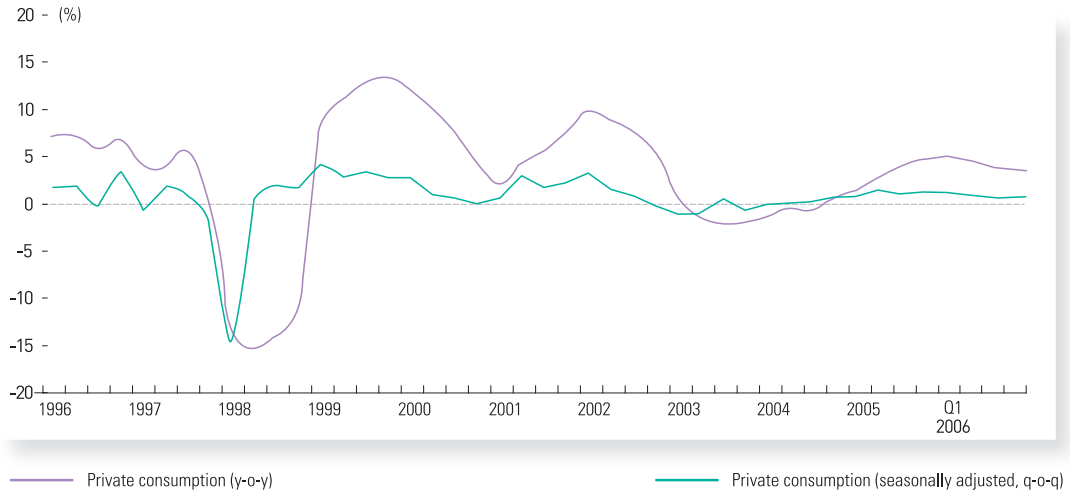
(Percentage change from same period in previous year)

	2005		2006				2007		
	Annual	Annual	Feb	Q1	Q2	Q3	Q4	Jan ¹	Feb ¹
- Department stores	3.1	3.7	6.6	8.3	6.0	0.4	0.7	-7.8	1.2
- Large discount stores	8.3	8.8	-8.5	7.3	10.1	6.4	11.6	-8.5	31.1
- Other retail stores	1.3	0.6	-6.1	-1.4	-1.8	0.4	1.7	-0.8	6.2

1. Preliminary

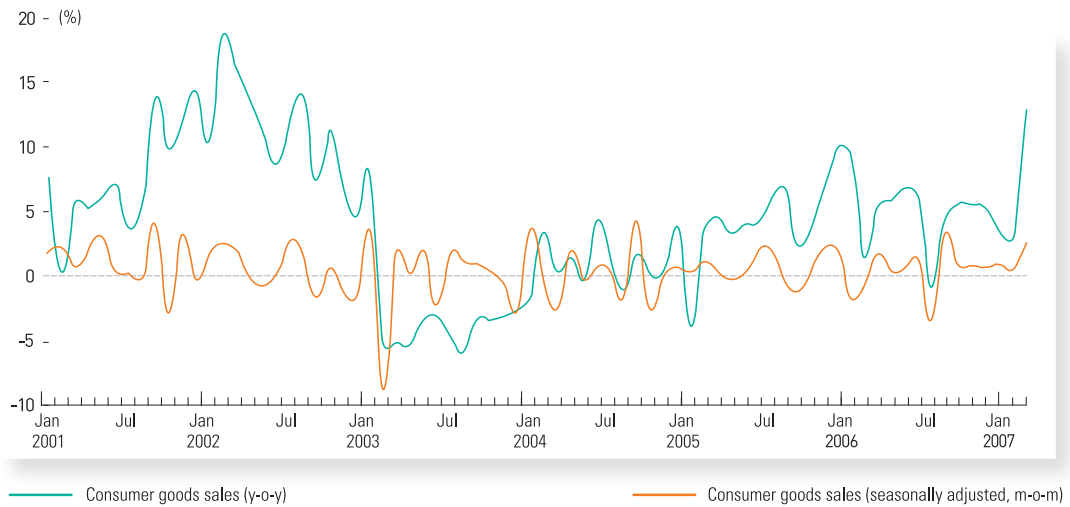
2-1 Private consumption

Source: The Bank of Korea (national accounts)



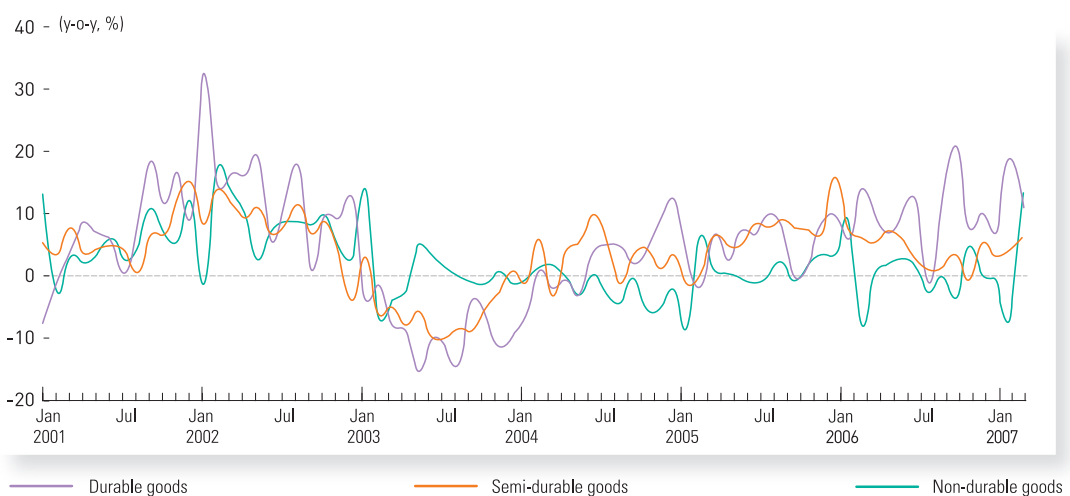
2-2 Consumer goods sales

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 March 2007 appear to be in good shape overall, in spite of indicating slight moderation with the holiday effects disappearing.

Growth in the value of credit card use and sales in department and discount stores slightly moderated as irregular factors such as the Lunar New Year holidays disappeared.

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

10.0 (Dec 2006) ↻ 11.5 (Jan 2007) ↻ 16.5 (Feb) ↻ 12.1 (Mar)

Source: The Credit Finance Association

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

1.0 (Dec 2006) ↻ -6.2 (Jan 2007) ↻ 4.7 (Feb) ↻ 2.2 (Mar)

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

1.8 (Dec 2006) ↻ -19.5 (Jan 2007) ↻ 25.3 (Feb) ↻ 3.1 (Mar)

Source: Ministry of Commerce, Industry and Energy

Ministry of Finance and Economy (March 2007, monitoring results on current sales volume basis)

Domestic sales of home-manufactured automobiles in March 2007 continued to increase on the back of new car launch.

Domestic sales of home-manufactured automobiles

(thousand units): 105 (Nov 2006) ↻ 122 (Dec) ↻ 95 (Jan 2007) ↻ 90 (Feb) ↻ 106 (Mar)

(y-o-y, %): -3.9 (Nov 2006) ↻ -4.9 (Dec) ↻ 13.6 (Jan 2007) ↻ 0.9 (Feb) ↻ 4.4 (Mar)

The recent improvement in consumer sentiment and real income growth expansion signal a recovery in private consumption. However, it is deemed necessary to closely monitor the related indicators.

Consumer expectations index has continued to strengthen since the second half of the previous year on rising exchange rate and falling oil prices.

Consumer expectations index (base=100)

98.0 (May 2006) ↻ 97.4 (Jun) ↻ 94.3 (Jul) ↻ 93.7 (Aug) ↻ 94.8 (Sep) ↻ 93.9 (Oct) ↻ 95.2 (Nov) ↻ 93.7 (Dec) ↻ 96.1 (Jan 2007) ↻ 98.1 (Feb)

Source: Korea National Statistical Office

Consumer sentiment index (base=100)

101 (Q2 2006) ↻ 96 (Q3) ↻ 98 (Q4) ↻ 103 (Q1 2007)

Source: The Bank of Korea

Gross National Income (GNI) growth neared the GDP growth on the back of the improvement in terms of trade on accelerating international oil prices.

Real GNI and GDP

(Growth rate, y-o-y, %)

	Q1 2006	Q2	Q3	Q4
Real GNI	1.6	1.7	2.4	3.3
Real GDP	6.3	5.1	4.8	4.0

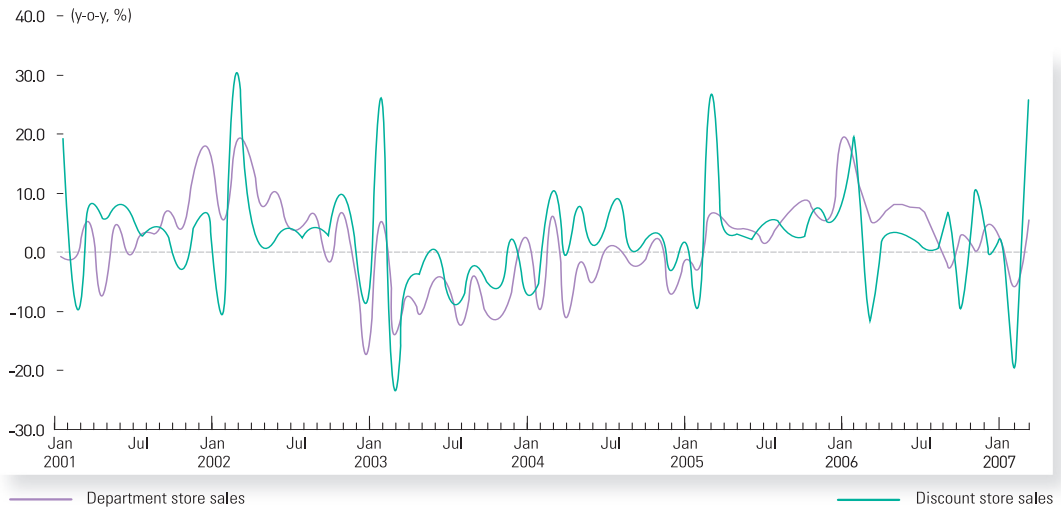
However, it is too early to say that consumption is recovering, given the moderate improvement in consumer sentiment indicators earlier this year and the new employment growth.

Changes in number of employed (y-o-y, thousand)

267 (Nov 2006) ↻ 290 (Dec) ↻ 258 (Jan 2007) ↻ 262 (Feb)

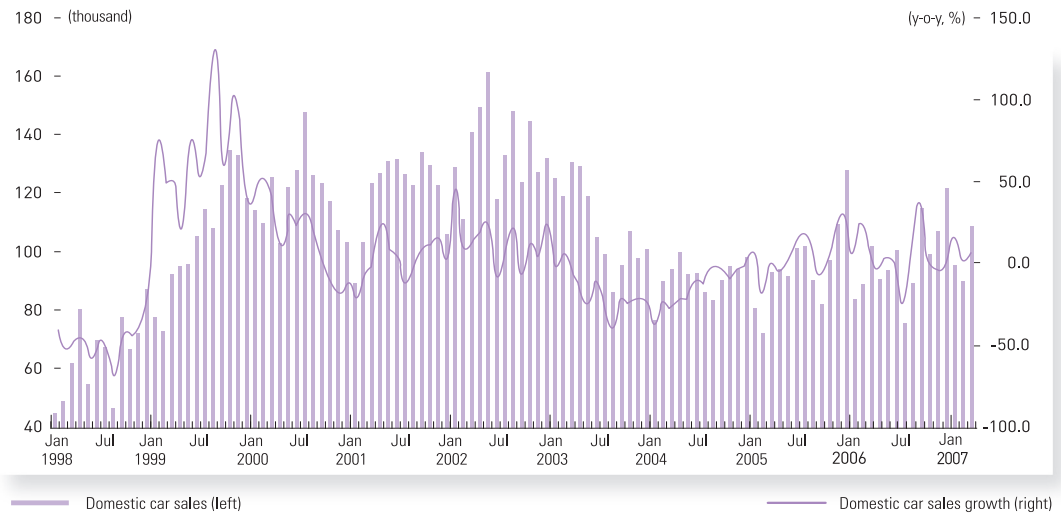
2-4 Department store and discount store sales (current value)

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



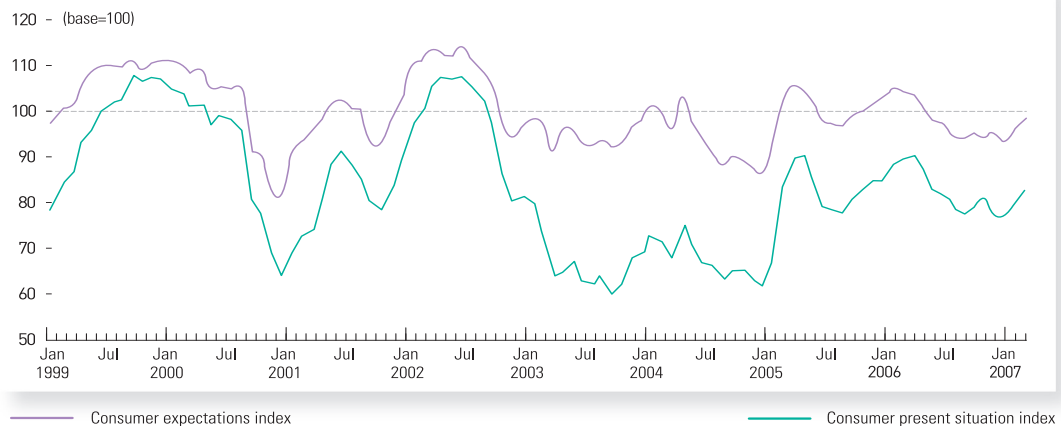
2-5 Domestic automobile sales

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 fourth quarter of 2006 (*preliminary GDP*) increased a mere 0.1 percent from the previous quarter. The moderation was affected by the advance investment completed in the IT sector. It expanded 5.3 percent from the same period of the previous year.

(Percentage change from same period in previous year)

	2005					2006 ¹				
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual
Facility investment ²	3.8	3.1	5.0	10.8	5.7	7.0	7.2	11.1	5.3	7.6
(Seasonally adjusted) ³	2.1	2.0	1.0	5.2	-	-1.0	2.2	3.8	0.1	-
- Machinery	8.1	6.2	5.3	9.8	7.4	3.3	9.5	12.4	6.5	7.9
- Transportation equipment	-13.8	-9.4	3.4	15.9	-1.8	25.9	-3.5	4.8	-0.2	5.9

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

Facility investment in February (*estimated index*) posted an on-year growth of 12.4 percent led by robust investment in special industrial machinery and office machinery. Domestic machinery shipments kept its growth pace to record a 7.1 percent year-on-year.

Facility investment expects an upward trend on the back of growing leading indicators such as machinery orders and imports.

Domestic machinery orders (*current value*) in February posted an on-year 16.3 percent growth led by keeping a growth pace in orders from the both private and public sectors.

(Percentage change from same period in previous year)

	2005		2006				2007		
	Annual	Annual	Feb	Q1	Q2	Q3	Q4	Jan ¹	Feb ¹
Estimated facility investment ²	6.3	7.4	4.7	6.2	6.7	11.8	5.1	15.4	12.4
- Domestic machinery shipments	0.6	4.7	11.1	4.8	3.2	4.0	6.7	10.4	7.1
Domestic machinery orders	5.7	18.8	40.4	13.6	24.4	21.0	16.7	26.1	16.3
- Public	-1.3	7.1	30.2	-31.1	24.7	19.0	22.1	22.1	33.3
- Private	6.7	20.4	41.3	20.2	24.4	21.3	15.8	26.4	15.0

1. Preliminary 2. Industrial activity

Machinery imports (%)

13.7 (Nov 2006) ↻ 12.3 (Dec) ↻ 35.0 (Jan 2007) ↻ 13.3 (Feb) ↻ 16.3 (Mar 1~20)

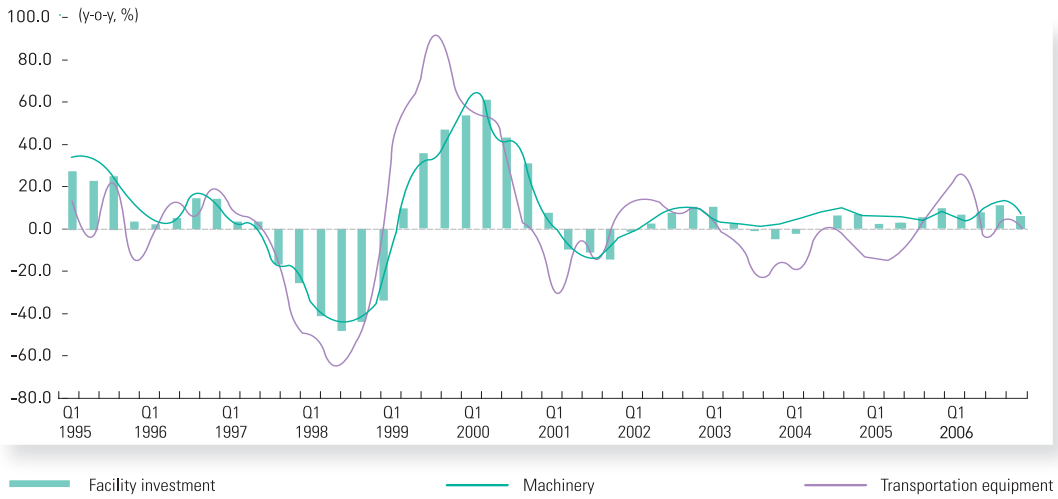
The Business Survey Index (BSI) for facility investment result and prospect in the manufacturing sector compiled by the Bank of Korea maintained a similar level from the previous month.

Business Survey Indexes (base=100)	2006		2007		
	Dec	Jan	Feb	Mar	Apr
Manufacturing facility investment result	96	96	96	97	-
Manufacturing facility investment prospect	97	99	98	97	97

Source: The Bank of Korea

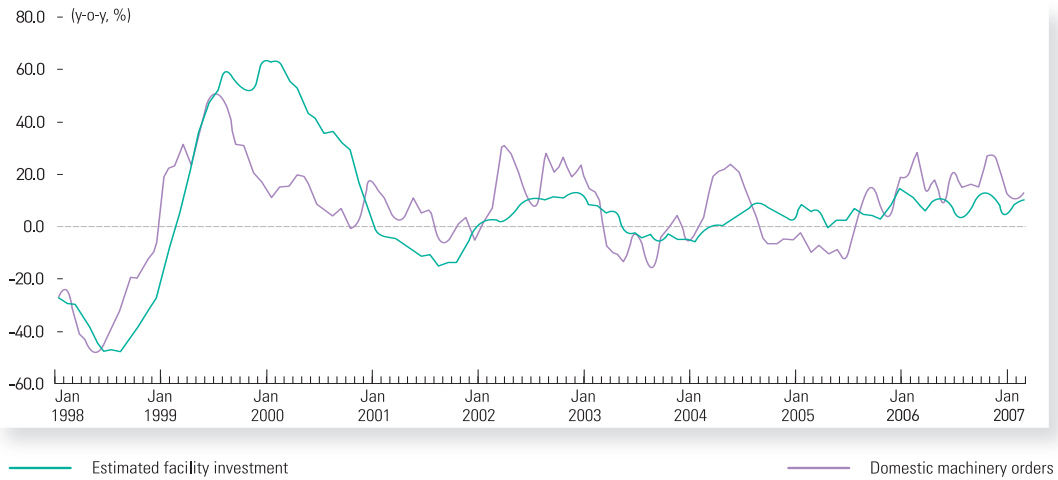
3-1 Facility investment by type

Source: The Bank of Korea (national accounts)



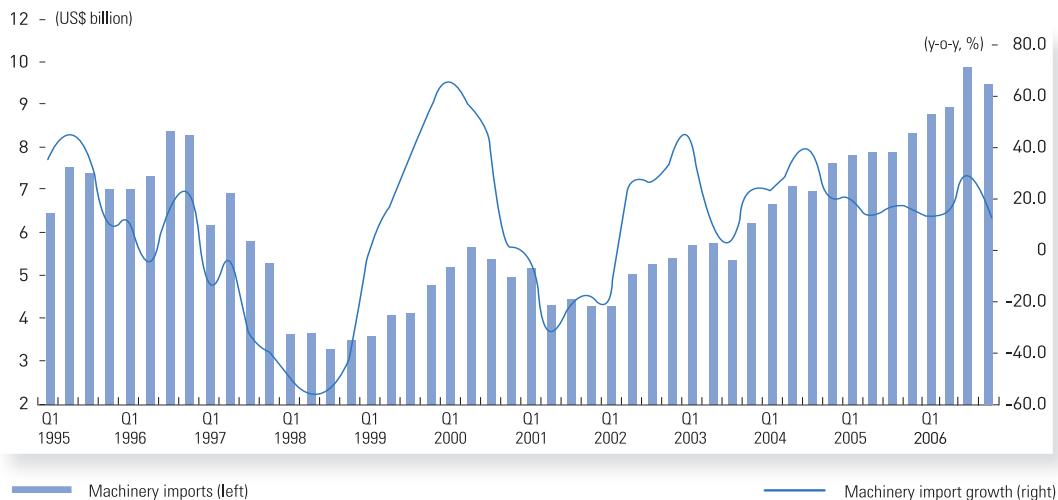
3-2 Machinery orders and estimated facility investment (3-month average)

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 fourth quarter of 2006 (*preliminary GDP*) increased 2.9 percent year-on-year, or 1.9 percent from the previous month, derailing from the negative growth trend.

(Percentage change from same period in previous year)

	2005					2006 ¹				
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual
Construction investment ²	-2.2	1.6	0.3	0.9	-0.2	1.2	-3.9	-0.6	2.9	-0.4
(Seasonally adjusted) ³	0.2	4.4	-2.6	-1.3	-	0.0	-0.9	2.0	1.9	-
- Building construction	-7.4	0.4	-0.7	1.1	-1.4	1.1	-5.9	-2.4	-0.2	-2.0
- Civil engineering works	5.6	2.1	0.7	-0.5	1.5	-1.4	-3.9	3.4	7.4	2.0

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

Construction completed (*current value*) in February registered an on-year 8.3 percent growth on the back of robust performance in the public sector construction.

(Percentage change from same period in previous year)

	2005		2006				2007		
	Annual	Annual	Jan	Q1	Q2	Q3	Q4	Jan ¹	Feb ¹
Construction completed ²	4.1	3.7	8.0	4.2	-0.3	4.8	6.0	10.5	8.3
- Public	-3.7	1.9	-13.5	-11.7	-5.8	9.0	12.6	14.1	26.0
- Private	7.5	4.9	16.6	11.0	2.2	3.8	4.0	9.3	2.3

1. Preliminary 2. Industrial activity

Construction investment-related leading indicators such as construction orders and building construction permit area remained rather sluggish in the fourth quarter after a surge in the third quarter.

Construction orders in February increased 40.1 percent due to a jump in the private sector.

(Percentage change from same period in previous year)

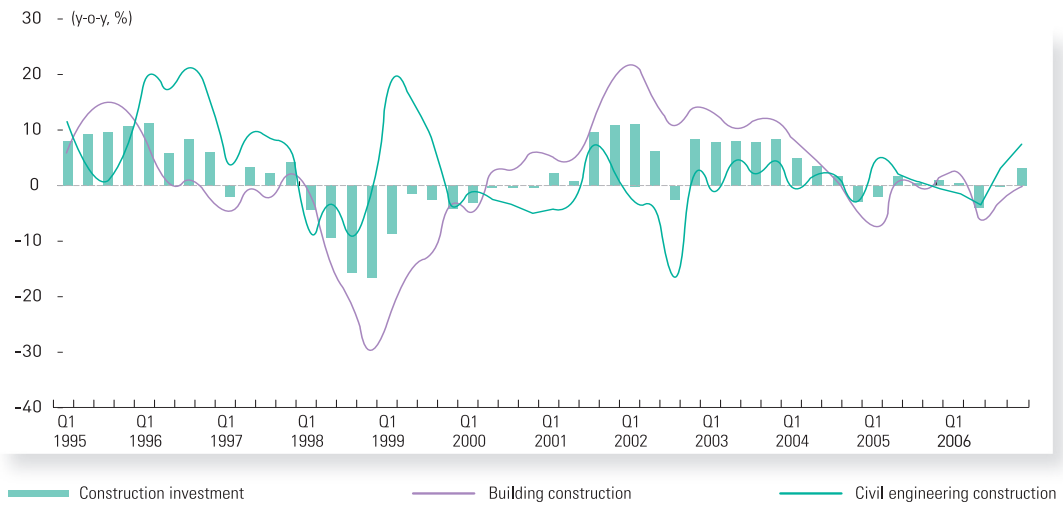
	2005		2006				2007		
	Annual	Annual	Jan	Q1	Q2	Q3	Q4	Jan ¹	Feb ¹
Construction orders ²	7.3	9.0	29.0	-8.5	-14.7	37.1	27.1	9.7	40.1
Building construction permit area	-5.1	19.5	32.3	13.0	7.4	75.0	-2.8	-	-

1. Preliminary 2. Current value basis

The construction sector is expected to reverse course to post growth derailing from the decreasing trend due to the low comparison base set in the previous year. However, improvement in large scale seems unlikely.

4-1 Construction investment

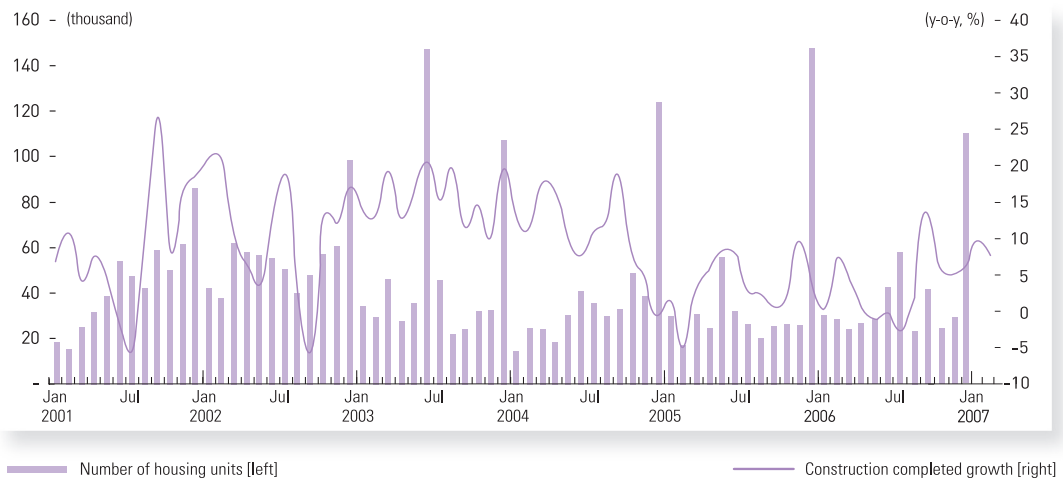
Source: The Bank of Korea (national accounts)



4-2 Construction completed and housing construction

Source: Korea National Statistical Office (construction completed)

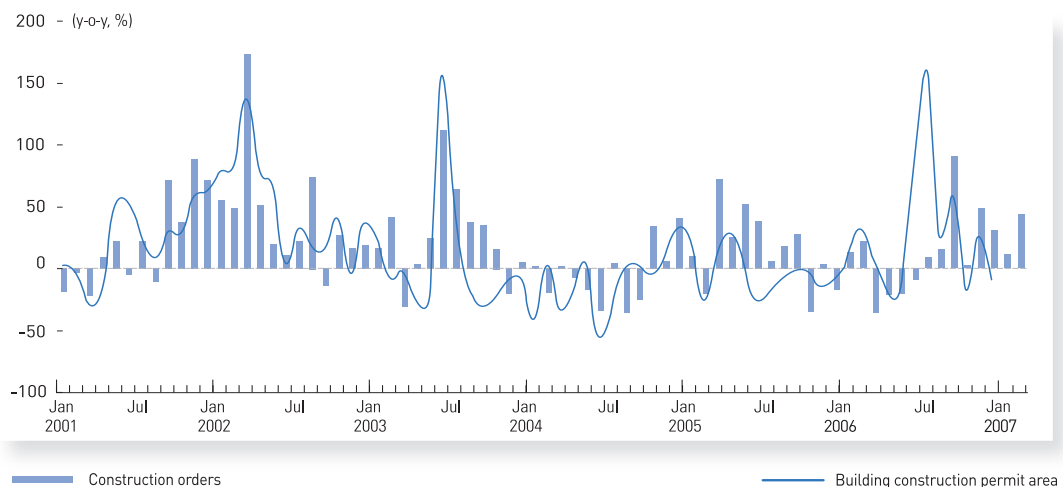
Ministry of Construction and Transportation (housing construction)



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)

Exports in March maintained its good condition, marking a 14 percent growth with US\$30.61 billion despite the decreased days operated from 24 to 23.5 year-on-year. Double digit growth appears positive in March where seasonal factors of January and February are terminated.

By export category (*estimated, Ministry of Commerce, Industry and Energy*), semiconductors, petro-chemistry, steel, LCD panel made solid gains while automobile, wireless communication equipment slipped slightly.

(US\$ billion)

	2006				2007			
	Jan	Feb	Mar	Q1	Jan	Feb	Mar	Q1
Exports	23.26	23.79	26.84	73.88	28.09	26.27	30.61	84.98
(y-o-y, %)	3.6	16.6	12.1	10.6	20.8	10.5	14.0	15.0
Average daily exports	1.03	1.08	1.12	1.08	1.17	1.28	1.30	1.25
Imports	23.09	23.51	25.95	72.54	27.66	25.27	29.09	81.99
(y-o-y, %)	18.7	27.8	13.9	19.7	24.4	7.3	12.1	13.0
Average daily imports	1.03	1.07	1.08	1.06	1.15	1.23	1.24	1.21

March imports increased 12.1 percent to post US\$20.09 billion. Raw material expanded its growth due to imports increase including crude oil. Capital goods growth increased led by precision and optical instruments, whereas consumer goods growth moderated.

Raw materials (%)

14.0 (Nov 2006) ↗ 18.1 (Dec) ↗ 17.9 (Jan 2007) ↘ 4.5 (Feb) ↗ 11.1 (Mar 1-20)

Capital goods (%)

7.7 (Nov 2006) ↗ 7.0 (Dec) ↗ 22.2 (Jan 2007) ↗ 6.5 (Feb) ↗ 14.3 (Mar 1-20)

Consumer goods (%)

24.5 (Nov 2006) ↗ 15.1 (Dec) ↗ 32.5 (Jan 2007) ↘ 29.3 (Feb) ↗ 24.1 (Mar 1-20)

Trade surplus in March expanded US\$0.48 billion from the previous month to post US\$1.52 billion driven by swifter growth pace of exports compared to imports.

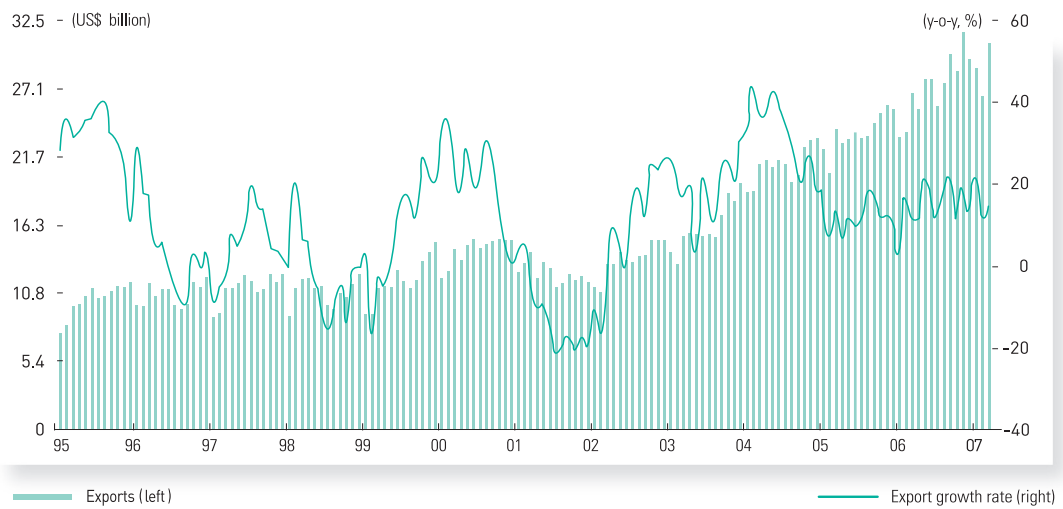
(US\$ billion)

	2006				2007			
	Jan	Feb	Mar	Q1	Jan	Feb	Mar	Q1
Trade balance	0.17	0.28	0.9	1.34	0.43	1.04	1.52	2.99

After March, the export growth rate has possibility to moderate taking into account a fall in semiconductor price, whereas imports will be expanded on oil price resurge.

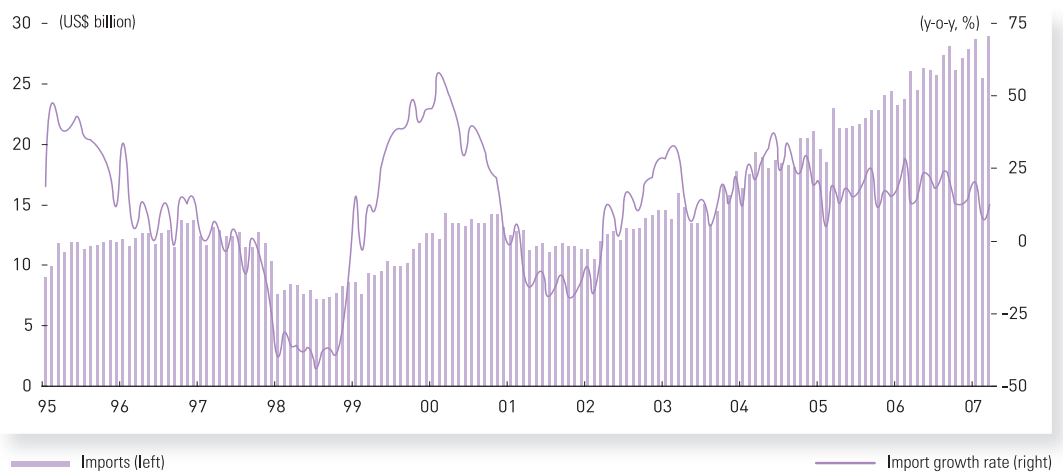
5-1 Exports (customs clearance basis)

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



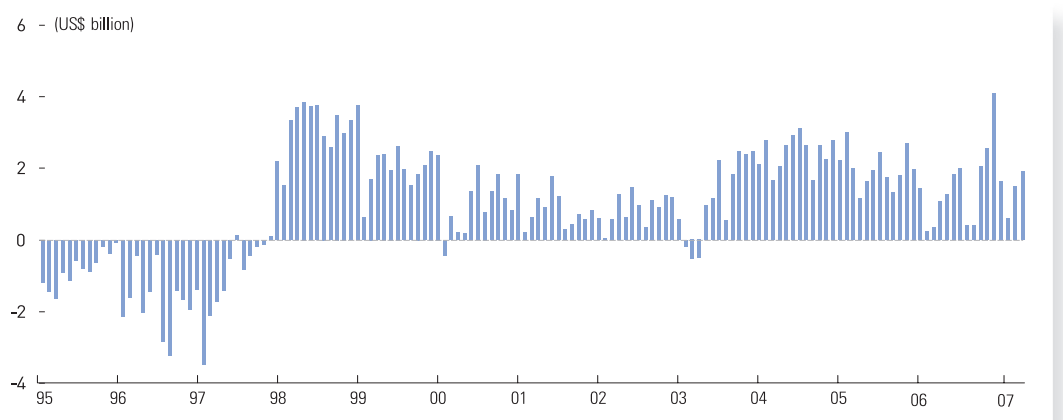
5-2 Imports (customs clearance basis)

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

February industrial production remained almost the same, posting a 0.5 growth (*seasonally adjusted*) from the previous month or 0.4 percent fall year-on-year affected mainly by the shift of Lunar New Year and decreased days operated from 22.5 to 20.5.

By sector, amid moderation in semiconductor production (*11.3 percent in January 2007 to 6.7 percent in February*), audiovisual telecommunications (*down 18.4%*), automobile (*down 6.3%*) output declined, highlighting the effects from decreased days operated. Industry production taking into account operated days posted a 6.9 percent growth.

The average industrial output growth rate during January and February remained at 3.7 percent, hovering slightly below the fourth quarter of 2006 growth rate of 5.2 percent.

Shipment for domestic demand went down 0.4 percent. Shipment for export pointed to a 3.7 percent increase, moderating its growth from the previous month. Inventory growth moderated from the previous month.

(Percentage change from same period in previous year)

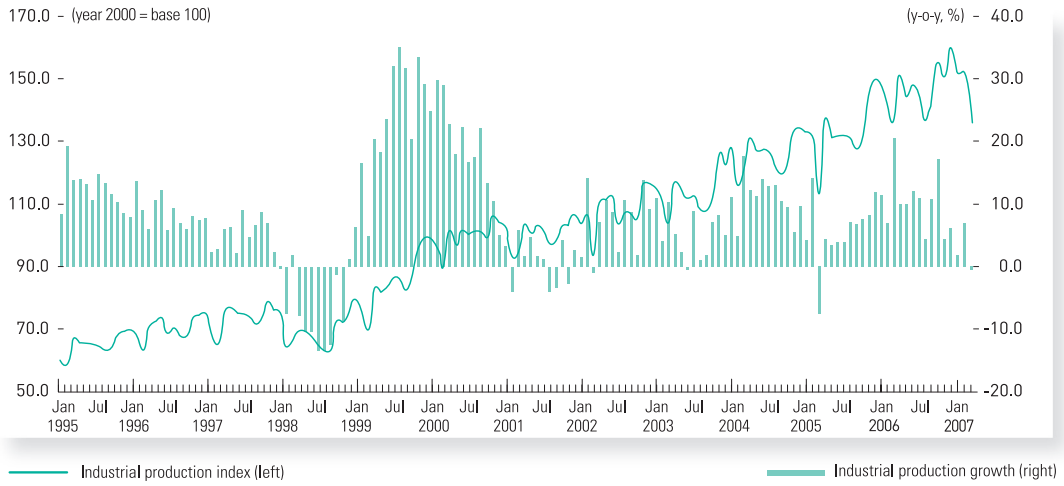
	2006			2007		
	Annual	Feb	Q4	Jan ¹	Feb ¹	Jan~Feb ¹
Production (q-o-q)	-	-2.3	2.7	1.3	0.5	-
(y-o-y)	10.1	21.4	5.2	7.5	-0.4	3.7
(days operated reflected)	10.6	8.0	9.2	1.5	6.9	4.2
- Manufacturing	10.5	22.5	5.6	7.7	-0.3	3.8
Shipment	7.8	17.5	3.8	7.0	1.5	4.3
- Domestic demand	4.5	14.9	2.2	6.8	-0.4	3.3
- Exports	11.9	20.6	5.6	7.2	3.7	5.5
Inventory	6.2	2.3	6.2	11.0	8.7	-
Average operation ratio (%)	81.1	80.9	81.3	81.4	82.2	-
Production capacity	3.4	4.5	2.1	1.6	1.6	1.6

1. Preliminary

Industrial activity in March is forecast to recover its stability on expanded growth from the previous month, despite downside factors including high comparison base of 10.7 percent set in the previous year and decreased days operated by 0.5 days.

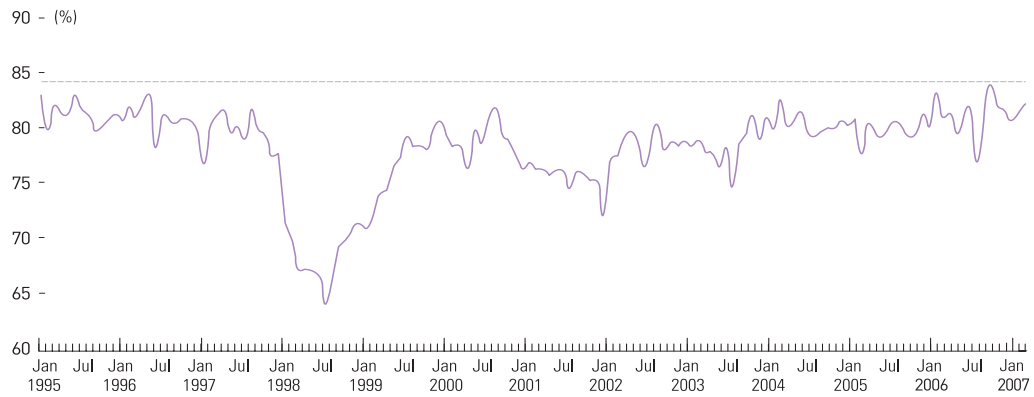
6-1 Industrial production

Source: Korea National Statistical Office (industrial activity trend)



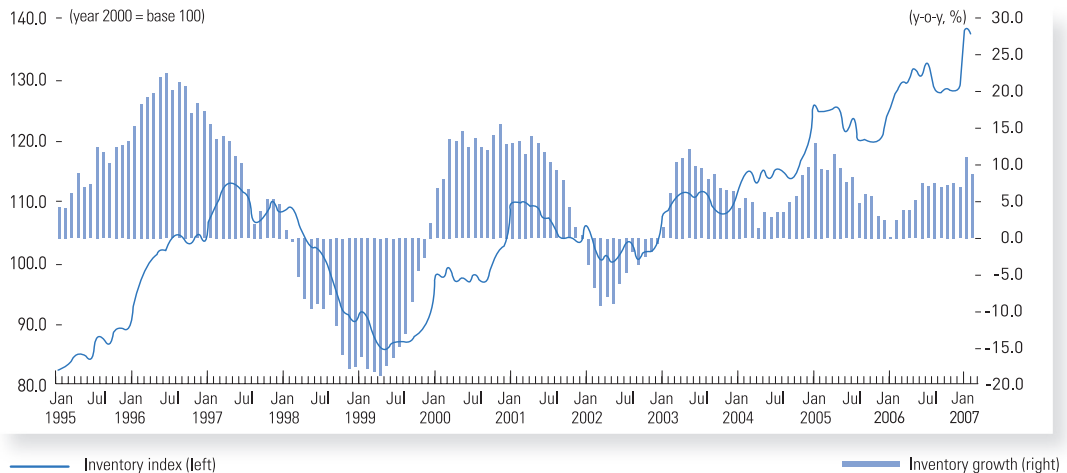
6-2 Average manufacturing operation ratio

Source: Korea National Statistical Office (industrial activity trend)



6-3 Inventory

Source: Korea National Statistical Office (industrial activity trend)



7. Service sector activity

Service activity in February 2007 grew 6.6 percent from a year earlier, slightly expanding growth from the 5.0 percent posted in the previous month. The moderate expansion was due mainly to the fact that the Lunar New Year was celebrated in February this year.

Output in the overall service business categories, except for hotels and restaurants, expanded year-on-year in February, with wholesale and retail sales and financial and insurance services leading the way. Hotels and restaurants fell due to the shortened days operated (*down 2.5 days*) as the Lunar New Year holidays fell in February this year as opposed to January in the previous year.

(Percentage change from same period in previous year)

	Weight	2005		2006				2007				Contri- bution ²
		Annual	Annual	Q1	Q2	Q3	Q4	Feb	Dec	Jan ¹	Feb ¹	
Service industry activity index	100.0	3.6	5.2	6.2	5.4	4.5	4.8	6.3	5.4	5.0	6.6	-
(Seasonally adjusted) ³	-	-	-	1.3	0.9	0.7	2.8	-0.5	1.2	-0.5	0.9	-
- Wholesale & retail	27.6	2.1	4.0	3.7	4.2	4.3	3.7	2.4	3.7	4.9	7.0	1.93
- Hotels & restaurants	7.7	0.3	2.1	3.9	2.4	2.3	-0.2	8.6	2.4	5.2	-2.2	-0.17
- Transportation services	8.8	4.2	6.3	6.4	6.3	5.9	6.9	7.8	10.2	7.7	8.3	0.73
- Communication services	5.8	4.1	2.8	2.3	2.9	3.2	2.6	3.8	2.1	4.3	3.2	0.19
- Financial & insurance services	17.6	7.3	7.9	13.2	9.2	4.9	4.8	13.5	2.8	7.0	7.4	1.30
- Real estate & renting	5.4	8.5	10.2	10.5	8.2	7.4	14.3	10.7	18.0	8.2	6.9	0.37
- Business services	8.5	2.8	5.9	5.6	5.7	5.7	6.4	6.1	7.0	5.0	5.9	0.50
- Educational services	8.6	0.7	2.3	1.4	2.5	1.4	4.4	-4.1	2.5	-3.8	10.0	0.86
- Healthcare & social welfare services	4.0	7.3	10.0	11.1	8.1	11.9	8.9	16.5	9.4	9.3	15.8	0.63
- Entertainment, cultural and sports services	3.5	3.0	2.5	4.9	2.7	-0.9	3.7	5.1	11.7	3.8	4.1	0.14
- Other public & personal services	2.6	1.9	3.8	4.7	4.1	3.9	2.5	4.5	5.6	2.5	1.7	0.04

1. Preliminary

2. Contribution to February 2007 growth (%p)

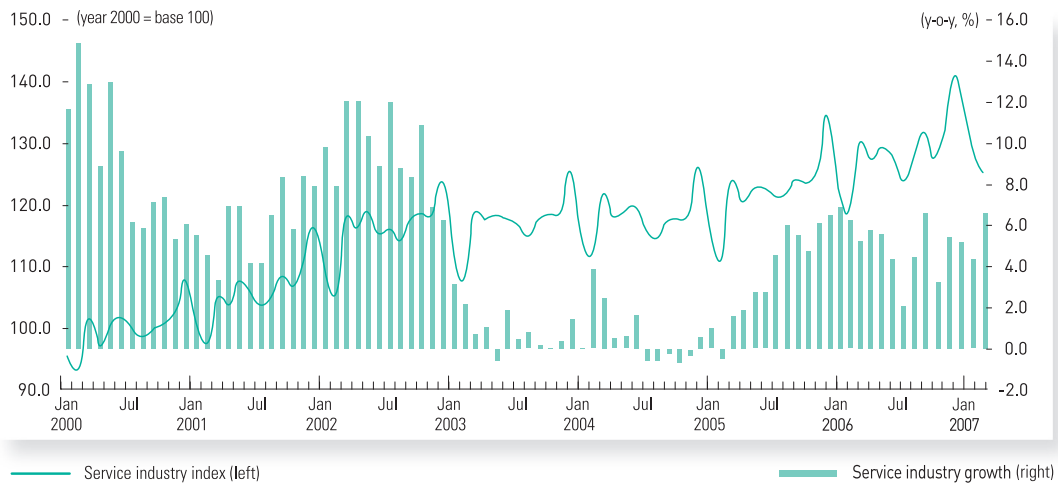
3. Percentage change from previous period

Most industries contributed evenly to the total sector growth of 6.6 percent in February with wholesale and retail sales (*1.93%p*), financial and insurance services (*1.30%p*) and educational services (*0.86%p*) leading the increase.

Service activity is expected to have continued its upward trend in March, although its growth pace may have been adjusted slightly. The irregularities such as the shift of the Lunar New Year dissolved. Real estate transactions and prices are slowing on the back of the government anti-speculative real estate policy announced on January 11, 2007. All these factors are expected to gradually affect the service activity.

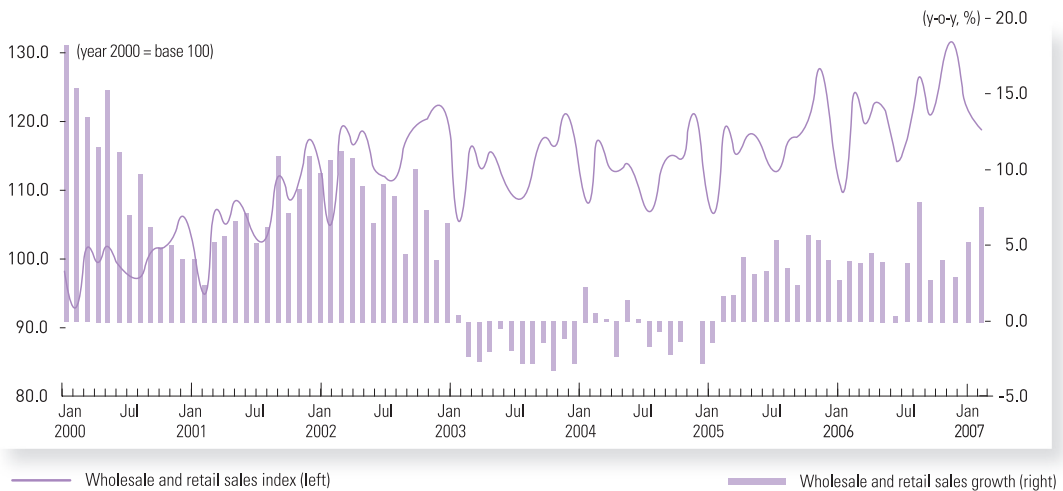
7-1 Service industry

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



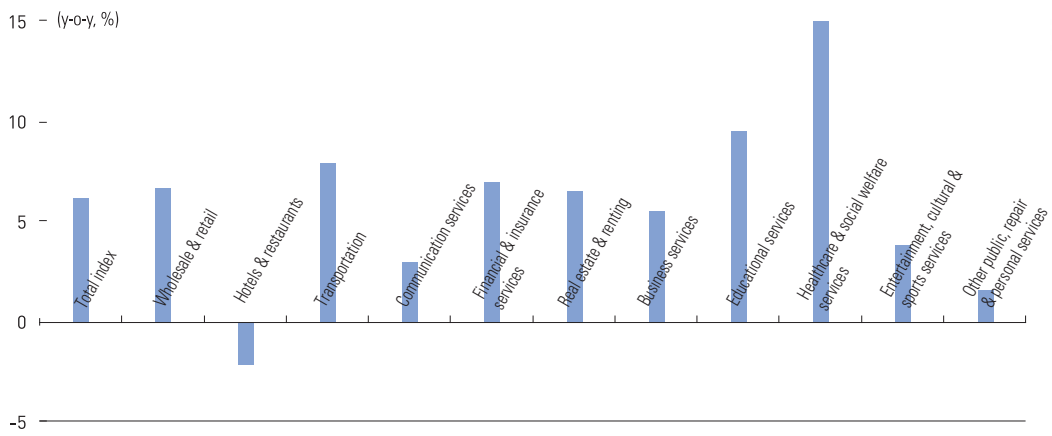
7-2 Wholesale and retail sales

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



7-3 Feb 2007 service industry by business

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



8. Employment

The number of workers on the payroll increased 262,000 from a year earlier in February 2007, slightly expanding from the growth of 258,000 in January.

Employment growth in services slightly accelerated in February with an increase of 305,000, led by robust gains in wholesale and retail sales, hotels and restaurants and transportation services driven by sales rise around the Lunar New Year holidays.

Hiring in manufacturing slipped 45,000 in February. The decline, however, has decelerated on the back of the strong export growth of an average 16.0 percent during January and February period.

Employment in construction has expanded to register a 46,000 increase led by robust growth in construction completed, having exceeded the 40,000 level for the third consecutive month. However, the number of employment in agriculture, forestry and fisheries decreased 46,000 accelerating downward trend affected by decrease in participants for economic activity such as unpaid family workers (*down 33,000*) during the Lunar New Year holidays.

As for the type of employment, the increase was led by waged work (*up 440,000*) and full-time work (*up 368,000*).

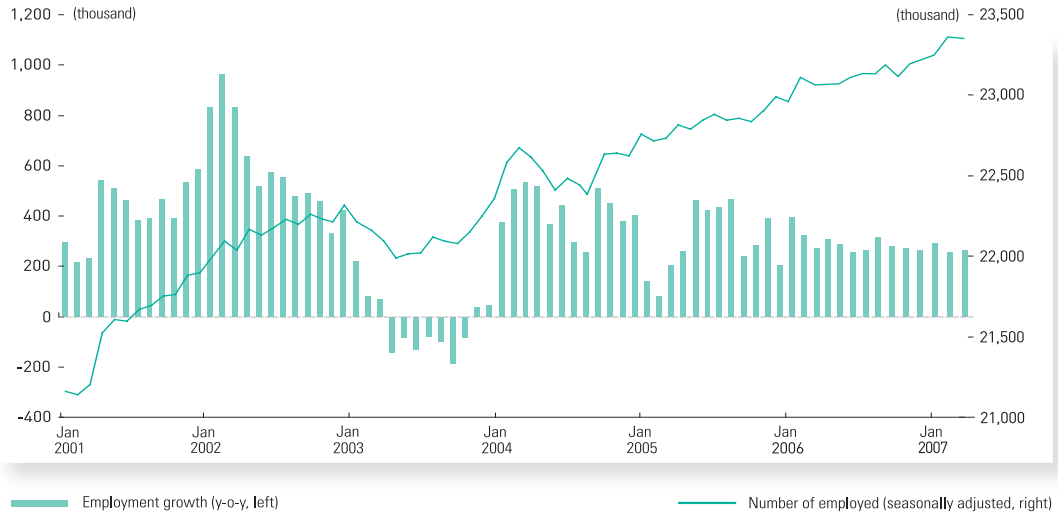
The employment rate remained unchanged year-on-year at 58.1 percent, while the unemployment rate and the youth unemployment rate dropped 0.4 and 0.9 percentage point from a year earlier to 3.7 and 7.8 percent, respectively.

(Change from same period in previous year, thousand)

	2006								2007	
	Feb	Q1	Q2	Q3	Q4	Nov	Dec	Annual	Jan	Feb
Employment growth	327	331	283	288	293	267	290	295	258	262
- Agriculture, forestry and fishery	-13	-34	-65	-28	-36	-7	11	-31	-28	-46
- Manufacturing	-71	-72	-77	-57	-77	-60	-67	-67	-45	-45
- Construction	40	34	7	13	-32	17	48	21	47	46
- Services	371	403	419	358	436	313	293	371	281	305
Unemployment rate (%)	4.1	3.9	3.4	3.3	3.2	3.2	3.3	3.5	3.6	3.7
Employment rate (%)	58.1	58.5	60.4	60.0	59.9	60.3	59.1	59.7	58.4	58.1

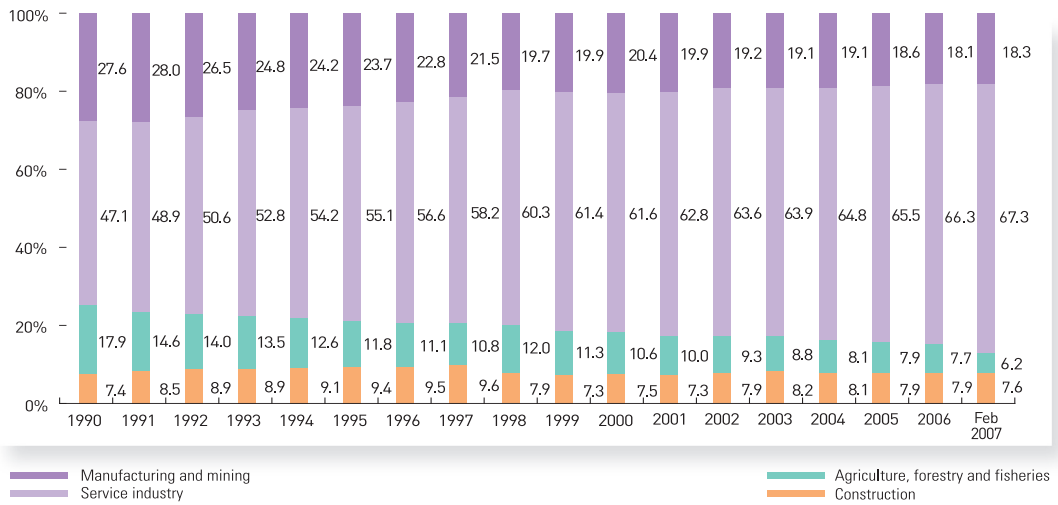
8-1 Number of employed and employment growth

Source: Korea National Statistical Office (employment trend)



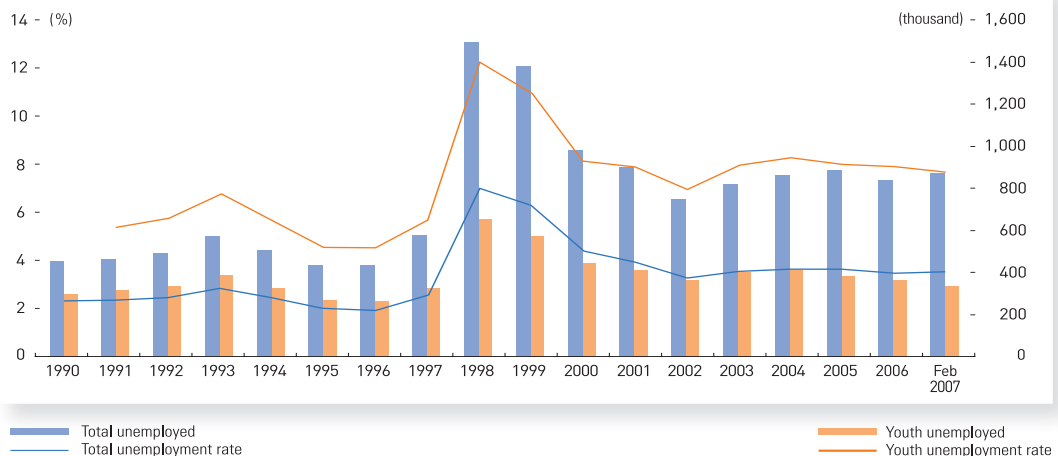
8-2 Share of employed by industry

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

The KOSPI closed higher in March at 1452.55 points on the back of improved investor sentiment from rebound of global stock markets such as the Chinese market, despite worries on the US economy including concerns over faltering subprime mortgage market.

The KOSDAQ also made solid gains in March hitting the highest record of the year at 648.99 points on March 30.

In March, the net selling by foreign and institutional investors amounted to 1.132 trillion won and 772.1 billion won, respectively, while net buying by individual investors recorded 365.9 billion won.

(End-period, point, trillion won)

	KOSPI			KOSDAQ		
	2006	Mar 2007	Change ¹	2006	Mar 2007	Change ¹
Stock price index	1,434.5	1,452.6	18.1 (+1.3%)	606.2	649.0	42.8 (+7.1%)
Market capitalization	704.6	713.3	8.7 (+1.2%)	72.1	79.6	7.5 (+10.4%)
Average daily trade value	3.4	3.1	-0.3 (-8.8%)	1.7	2.1	0.4 (+23.5%)

1. Change from the end of previous year

9.2 Exchange rate

After rising in early March, the won/dollar exchange closed the month at the similar level to the end of last month, as selling of dollars by domestic exporters was offset by demand for dollars by foreign investors to remit dividend.

In early March, the won/dollar exchange rate was up to the 951 won range on March 5 fueled by more demand for safe assets in the global market due to concerns over the unwinding of the yen carry trade. The exchange rate fell to some degree along with the stabilization of international financial markets. However, the decline was limited by increased demand for dollars by foreign investors who wanted to remit dividend paid by Korean companies to their home countries.

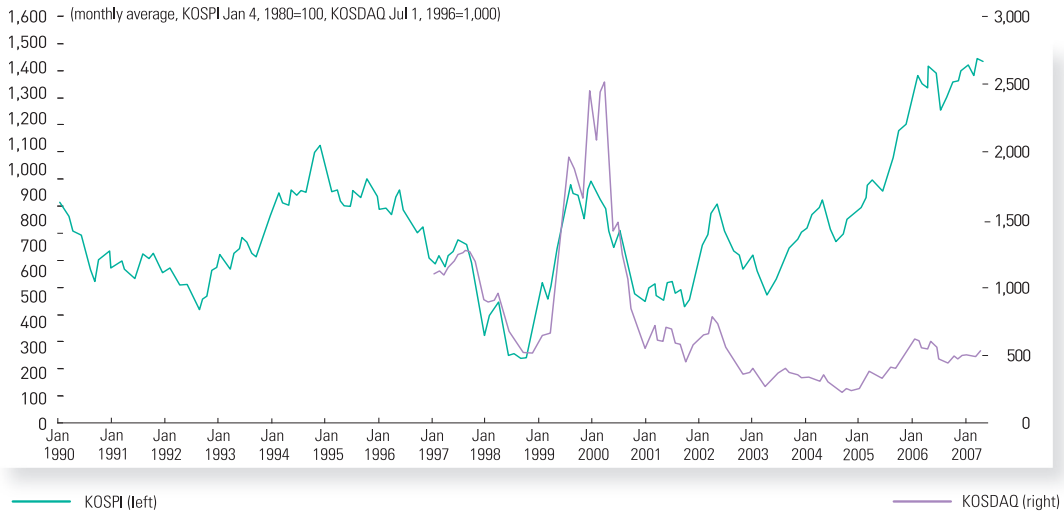
Toward the end of the month, the exchange rate fluctuated around the 940 won range to wrap up the month at 940.9 won.

(End-period)

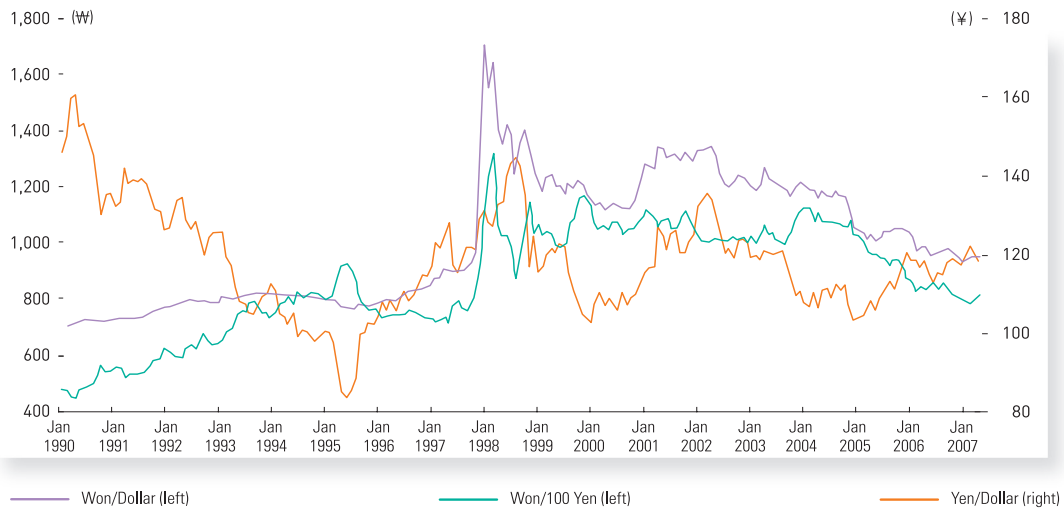
	2004	2005	2006	2007			Change ¹
	Dec	Dec	Dec	Jan	Feb	Mar	
Won/Dollar	1,035.1	1,011.6	929.8	941.0	941.8	940.9	-1.2
Yen/Dollar	102.5	117.8	118.7	121.4	118.2	117.6	0.9

1. Appreciation from the end of previous year (%); the exchange rate is based on closing price at 3:00 p.m. (Korean time)

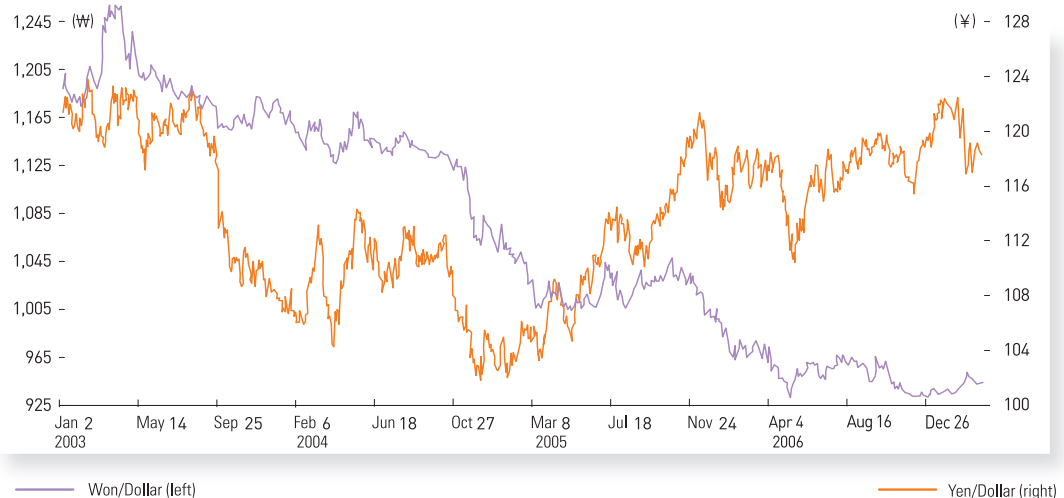
9-1 Stock prices



9-2 Foreign exchange rate (month-end)



9-3 Recent foreign exchange rate



9.3 Bond market

Bond yields such as Treasury bond yield in March fell as investors rushed into safe haven assets affected by sluggish economic indicators at home and abroad and a slump in the global stock markets. However, the decline was restricted by downward rigidity of short term interest rates and expectations on expanded spreads between short-term and long-term interest rates.

Yields on 91-day CDs, which are short-term interest rates, remained unchanged from the previous month.

(End-period)

	2004	2005	2006			2007			Change ¹
	Dec	Dec	Jun	Sep	Dec	Jan	Feb	Mar	
Call rate (1 day)	3.29	3.76	4.21	4.48	4.60	4.61	4.55	4.61	+1
CD (91 day)	3.43	4.09	4.59	4.59	4.86	4.96	4.94	4.94	+8
Treasury bonds (3 yr)	3.28	5.08	4.92	4.57	4.92	5.02	4.86	4.76	-16
Corporate bonds (3 yr)	3.72	5.52	5.20	4.89	5.29	5.38	5.24	5.19	-10
Treasury bonds (5 yr)	3.39	5.36	5.04	4.61	5.00	5.03	4.88	4.80	-20

1. Basis point change from end December 2006

9.4 Money supply & money market

The M2 growth in February remained at the similar level to the previous month as money redemption by the government sector was offset by more increase in bank loans ahead of the Lunar New Year holidays. The M1 growth accelerated slightly with cash surging in the market around the Lunar New Year holidays.

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

	2005		2006					2007		2007
	Annual	Annual	Q1	Q2	Q3	Q4	Dec	Jan	Feb	Jan ¹
M1 ²	8.5	-0.9	-0.6	-2.8	-5.5	5.9	10.4	7.9	Around 8	353.5
M2	6.9	8.3	7.0	7.2	8.1	10.9	11.4	11.3	Lower 11	1,143.8
Lf ³	7.0	7.9 ⁴	7.2	7.4	7.5	9.2	9.6	Mid 9	Mid 9	1,533.7 ⁵

1. Amount, trillion won 2. Excludes corporate MMF which is redeemable on and after the next business day following the transaction date from November 2005.
3. Liquidity aggregates of financial institutions (mostly identical with M3) 4. Preliminary 5. Estimates

In February, bank deposits turned to a positive growth backed by surged time deposits which were offered by some banks with temporarily higher interest rates.

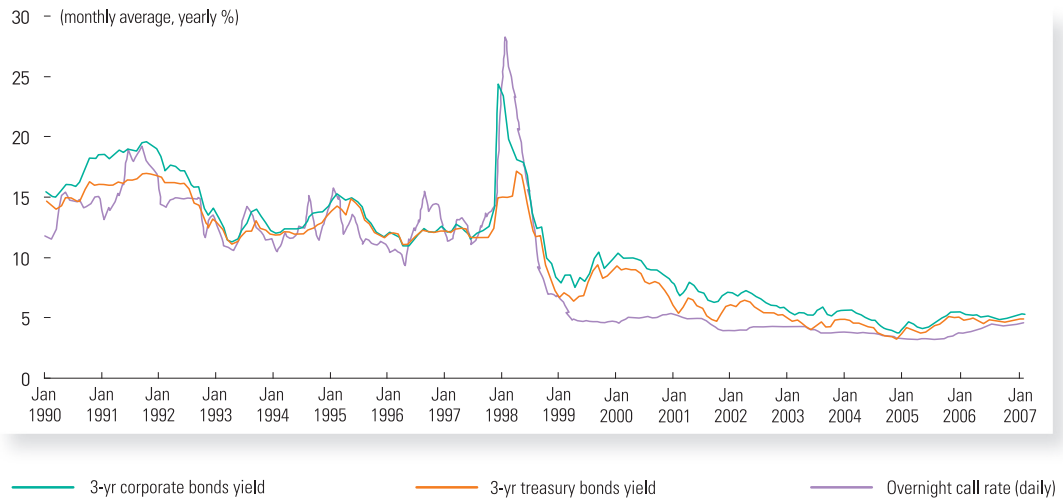
Asset management company (AMC) receipts slowed as equity funds decreased although newly launched funds increased considerably led by fund of funds.

(Monthly change, end-period, trillion won)

	2006									2007	
	Feb	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Bank deposits	6.3	6.2	10.9	-7.2	4.3	13.6	-7.3	3.7	17.4	-8.3	4.2
AMC receipts	6.2	9.9	-11.7	0.3	-1.8	4.0	5.8	4.7	-0.8	3.4	0.4

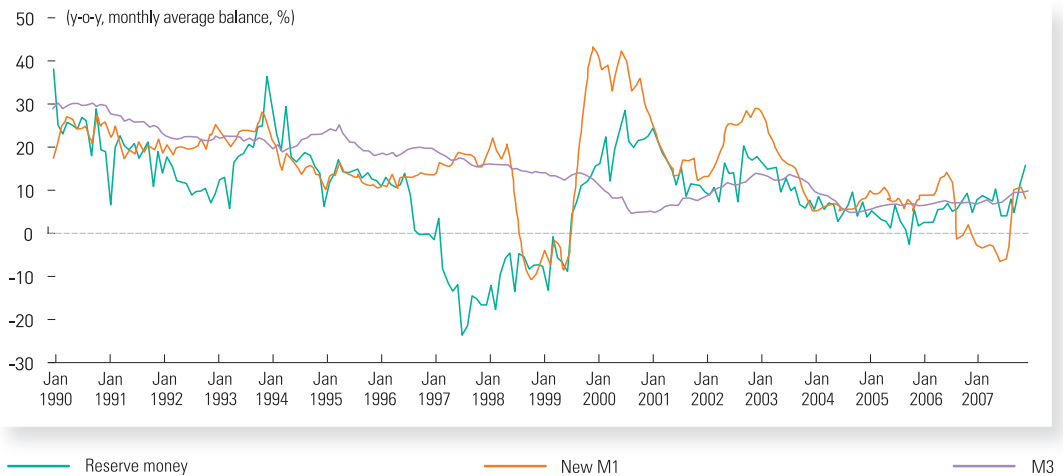
9-4 Interest rates

Source: The Bank of Korea



9-5 Total money supply

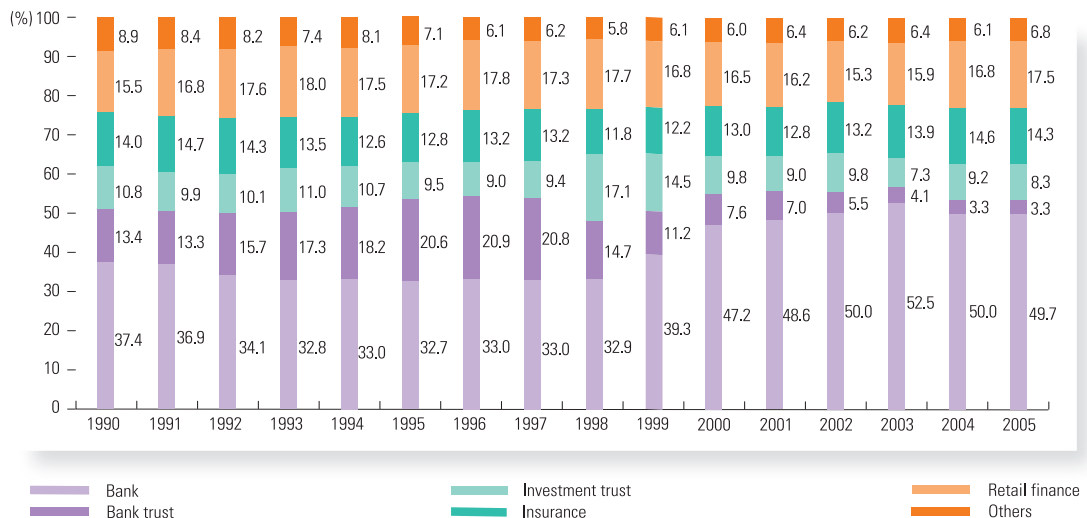
Source: The Bank of Korea



9-6 Share of deposits by financial sector (M3 as of year-end)

Source: The Bank of Korea

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



10. Balance of payments

Korea's current account in February 2007 turned to black territory, recording a US\$0.49 billion surplus due to the widened goods and income account surpluses despite an increase in service account deficit.

The goods account surplus widened to US\$2.48 billion in February, up US\$1.19 billion from the previous month as surplus computed by export-import gap increased and adjustment of time difference between customs clearance and delivery of ship served positively adding US\$0.43 billion surplus.

Although the travel account deficit narrowed, the service account deficit expanded US\$0.61 billion from the previous month to US\$2.55 billion, with decreased transportation account surplus and increased payments for patent rights. Due to the decreased payments of overseas travel and education/training expenses, the travel account deficit declined US\$0.41 billion from the previous month to US\$1.06 billion.

The income account surplus amounted to US\$0.85 billion, up US\$0.30 billion from the previous month as overseas interest income increased with seasonal factors.

Meantime, the seasonally adjusted current account posted a US\$1.12 billion surplus in February as the goods account surplus widened.

Current account (SA*, US\$ billion)

-0.19 (Feb 2006) ↻ 2.46 (Nov) ↻ 0.60 (Dec) ↻ -0.74 (Jan 2007) ↻ 1.12 (Feb)

* Seasonally adjusted

	2006			2007		
	Jan	Feb	Jan~Feb	Jan	Feb	Jan~Feb
Current account	0.09	-0.76	-0.67	-0.43	0.49	0.06
- Goods balance	1.48	0.86	2.34	1.29	2.48	3.77
- Service balance	-1.64	-1.82	-3.46	-1.94	-2.55	-4.49
- Income balance	0.57	0.43	1.00	0.55	0.85	1.40

(US\$ billion)

Despite more overseas investment by domestic investors, the capital account approached the balance with a net outflow of US\$0.02 billion in February, backed up by increased short-term loans from overseas by domestic deposit banks.

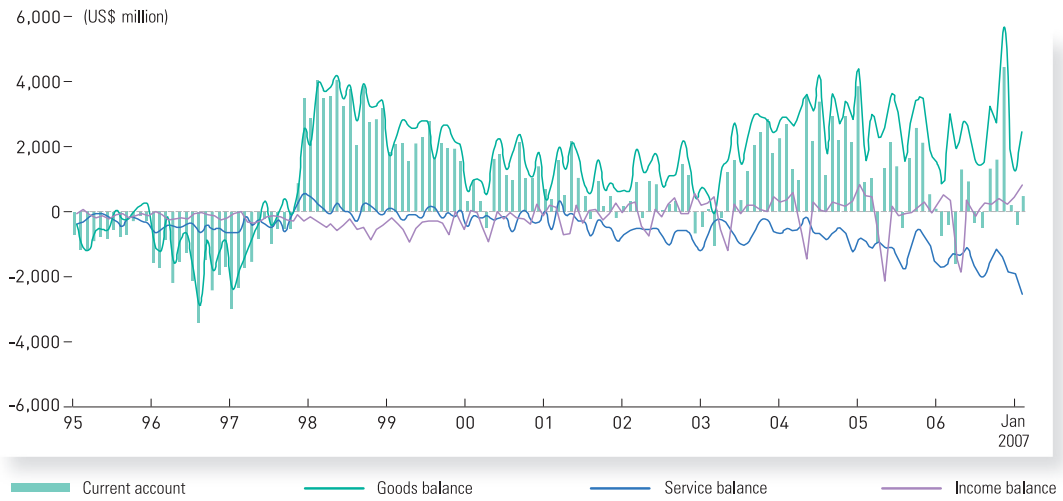
Capital & financial account balance (US\$ billion)

2.11 (Feb 2006) ↻ 0.44 (Nov) ↻ 5.46 (Dec) ↻ 3.03 (Jan 2007) ↻ -0.02 (Feb)

As for March and April, the current account is likely to turn negative, with the widening service account deficit due to seasonal factors such as dividend payments despite the goods account surplus expansion.

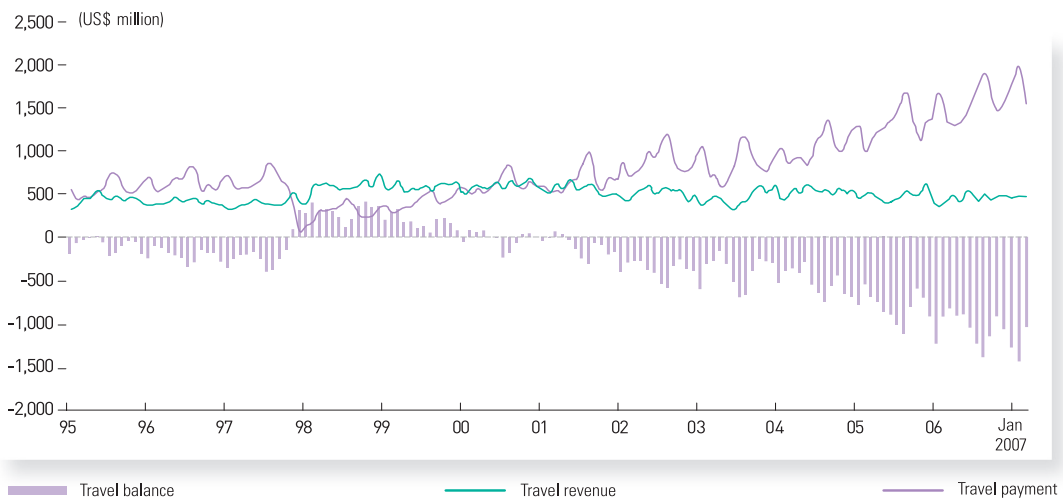
10-1 Current account balance

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



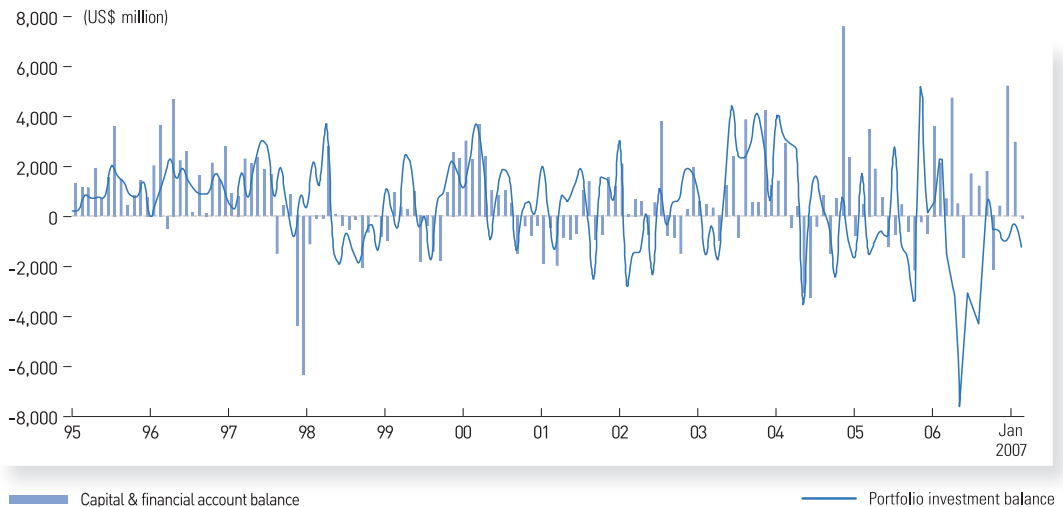
10-2 Travel balance

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

Despite higher tuition fees for new semester and price increases in some agricultural, livestock and fisheries products, consumer prices have stabilized with an on-year 2.2 percent rise in March.

Consumer price inflation

	2006			2007		
	Mar	Nov	Dec	Jan	Feb	Mar
Month-on-Month (%)	0.6	-0.5	0.3	0.2	0.7	0.6
Year-on-Year (%)	2.0	2.1	2.1	1.7	2.2	2.2

Uptick of consumer prices in March was driven by the hike in tuition fees at the start of new semester and higher prices of fruits following the bad harvest.

Meantime, prices of vegetables such as radish and Chinese cabbage downwardly stabilized on weak demand. Prices of livestock products including pork and chicken were stable compared to the previous year.

Consumer price inflation in major sectors

(Percentage change from same period in previous year)

	Total	Agricultural, livestock & fishery products	Industrial products	Oil products	Housing rents	Public utility	Personal services
Mar 2007 (Contribution ratio, %p)	2.2	1.6 (0.14)	1.1 (0.32)	-1.2 (-0.07)	1.7 (0.16)	2.6 (0.42)	3.3 (1.15)
Mar average 2002-2006	3.0	3.0	2.4	5.4	2.5	1.9	3.7

Consumer price increases of major items in Mar 2007 (y-o-y, %)

Educational services - national and public university (9.2), private university (7.1), high school (4.2); Tangerine (48.8), pear (30.8)

Consumer price decreases of major items in Mar 2007 (y-o-y, %)

Radish (-45.1), Chinese cabbage (-22.6), chicken (-17.3), pork (-0.3)

Core inflation was up 2.4 percent from a year earlier in March. Consumer prices for basic necessities, a barometer of perceived consumer prices, rose 2.5 percent year-on-year.

(Percentage change from same period in previous year)

	2006			2007		
	Mar	Nov	Dec	Jan	Feb	Mar
Core inflation	1.4	2.1	2.1	2.1	2.3	2.4
Consumer prices for basic necessities	2.8	2.6	2.6	1.9	2.4	2.5

Consumer prices in April are forecast to maintain the stable 2 percent level year-on-year although subway and city bus fare in the Seoul metropolitan area are to be raised.

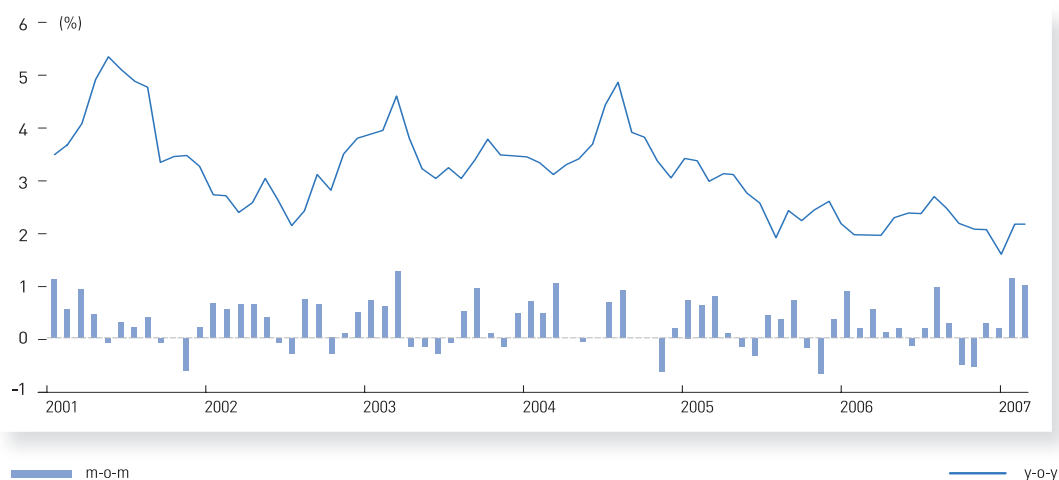
11-1 Prices

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



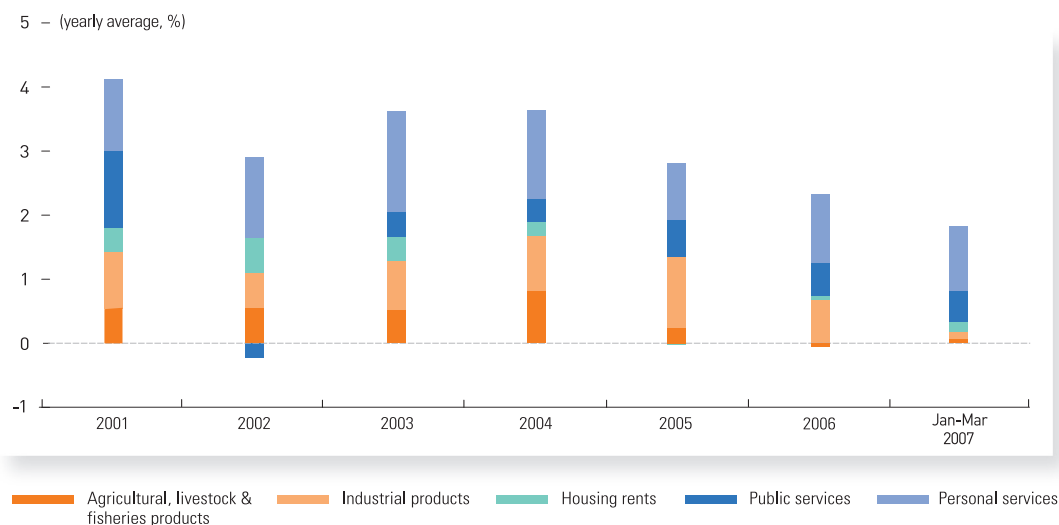
11-2 Consumer price inflation

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 increased in March, due to the OPEC's output cut as well as heightened geopolitical tensions over Iran's nuclear ambitions including Iran's seizure and detention of British navy.

International oil prices in April are most likely to be influenced by the development of the Iranian nuclear issue and the expected growth of gasoline demand in the driving season from May to September.

(US\$/barrel, period average)

	2004	2005	2006		2007		
	Annual	Annual	Annual	Dec	Jan	Feb	Mar
Dubai crude	33.6	49.4	61.6	58.7	51.8	55.9	58.9
Brent crude	38.2	54.3	65.1	62.6	53.6	57.5	62.3
WTI crude	41.4	56.5	66.0	62.0	54.2	59.2	60.6

Record high oil prices (spot prices, US\$/barrel, Aug 2006)

Dubai crude: 72.2 Brent crude: 78.7 WTI crude: 77.0

Prices of domestic oil products including gasoline and diesel rose from a month earlier as international oil prices have deployed upward trends since mid-February.

(Won/liter, period average)

	2004	2005	2006		2007		
	Annual	Annual	Annual	Dec	Jan	Feb	Mar
Gasoline prices	1,295	1,365	1,543	1,415	1,411	1,402	1,456
Diesel prices	908	1,080	1,295	1,182	1,170	1,164	1,186

Source: Korea National Oil Corporation

Among international commodity, prices of non-ferrous metals edged up in March on the back of expectation on growing commodity markets in China while prices of grain fell slightly due to the expanded selling of investment funds.

The prices of nickel and electrolytic copper rose as China imported them more, and tartar price also went up as Indonesia strengthened restrictions on commodity exports. However, zinc prices edged lower on increased inventory.

There seemed to be a correction in the prices of agricultural products led by corn, wheat and soybean, which had risen sharply since the second half of last year.

Price increases in Mar 2007 (monthly average, m-o-m, %)

Nickel (14.4), electrolytic copper (11.9), tartar (7.7)

Price decreases in Mar 2007 (monthly average, m-o-m, %)

Zinc (-1.3), corn (-1.6), wheat (-0.7), soy bean (-0.2)

Reuters index*

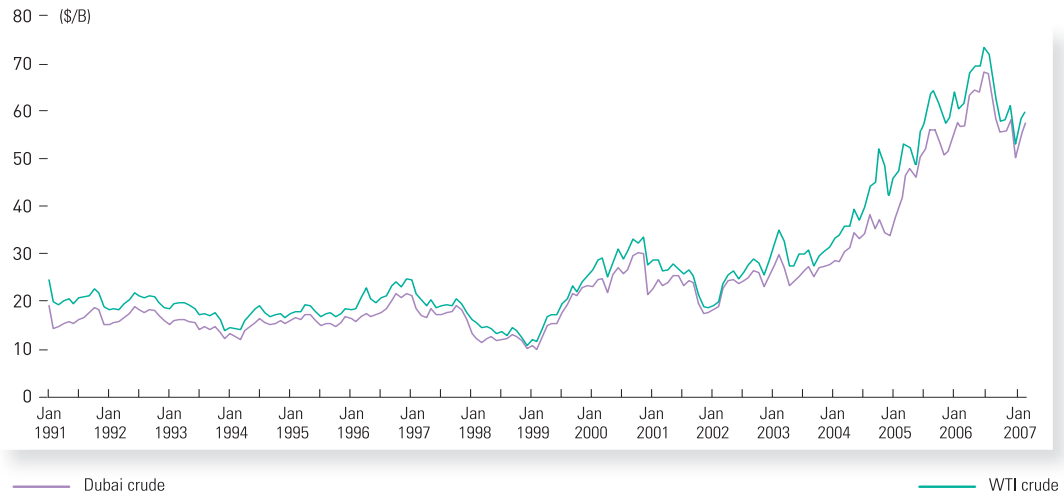
(Period average)

2004	2005	2006		2007		
Annual	Annual	Annual	Dec	Jan	Feb	Mar
1,618	1,680	2,019	2,182	2,223	2,247	2,266

* 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

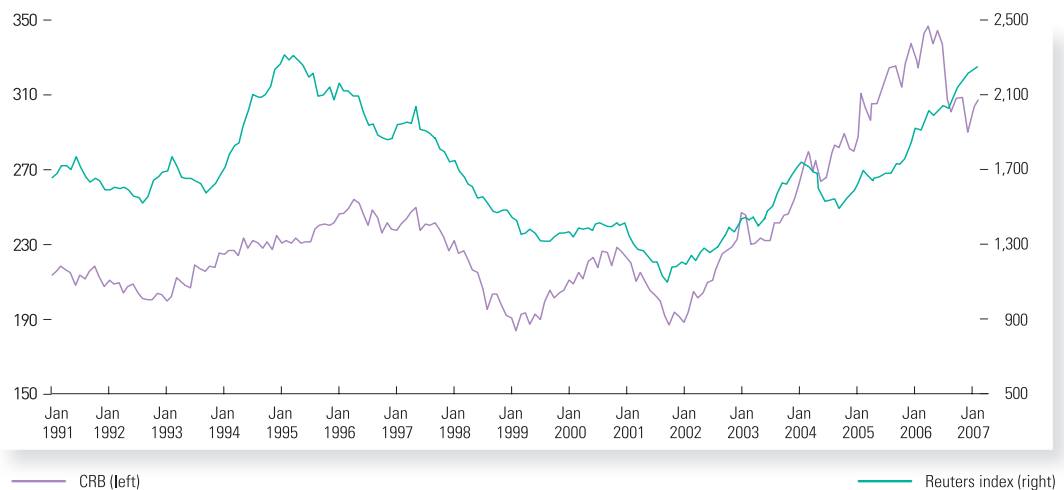
Source: Korea National Oil Corporation & Korea Customs Service



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

Apartment prices growth nationwide slowed from the previous month in March.

Apartment sales prices

(Percentage change from previous period)

	2004	2005	2006				2007						
	Annual	Annual	Annual	Oct	Nov	Dec	Jan	Feb	Mar	Mar 5 ¹	Mar 12 ¹	Mar 19 ¹	Mar 26 ¹
Nationwide	-0.6	5.9	13.8	1.5	3.8	2.1	1.0	0.3	0.1	0.01	0.00	0.00	0.02
Seoul	-1.0	9.1	24.1	2.2	6.2	3.7	1.8	0.3	0.2	0.01	0.06	0.03	0.03
Gangnam ²	-1.3	13.5	27.6	2.5	6.5	2.4	1.1	0.1	0.0	0.02	0.04	0.05	-0.04
Gyeonggi	-3.7	7.6	28.4	3.3	8.2	3.6	1.6	0.5	0.2	0.05	0.00	0.00	0.05

1. Weekly trends

2. Upscale area of southern Seoul

Source: Kookmin Bank

Apartment rental prices in March edged up.

Nationwide apartment rental prices

(Percentage change from previous period)

	2004	2005	2006				2007						
	Annual	Annual	Annual	Oct	Nov	Dec	Jan	Feb	Mar	Mar 5 ¹	Mar 12 ¹	Mar 19 ¹	Mar 26 ¹
Nationwide	-2.7	5.7	7.6	1.2	1.2	0.6	0.5	0.3	0.4	0.05	0.04	0.10	0.06
Seoul	-4.4	6.2	11.5	1.7	1.7	0.6	0.7	0.4	0.6	0.03	0.03	0.09	0.11
Gangnam ²	-5.2	8.6	11.3	1.5	1.6	0.5	0.7	0.4	0.3	0.03	0.04	0.08	0.17
Gyeonggi	-5.5	10.6	12.4	2.1	2.1	1.0	0.8	0.4	0.6	0.09	0.08	0.19	0.04

1. Weekly trends

2. Upscale area of southern Seoul

Source: Kookmin Bank

Apartment sales transactions in February 2007 decreased from the previous month.

Apartment sales transactions

(Monthly average, thousand)

2004	2005	2006											2007	
Annual	Annual	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
64	79	86	107	89	89	81	68	60	100	110	152	116	86	63

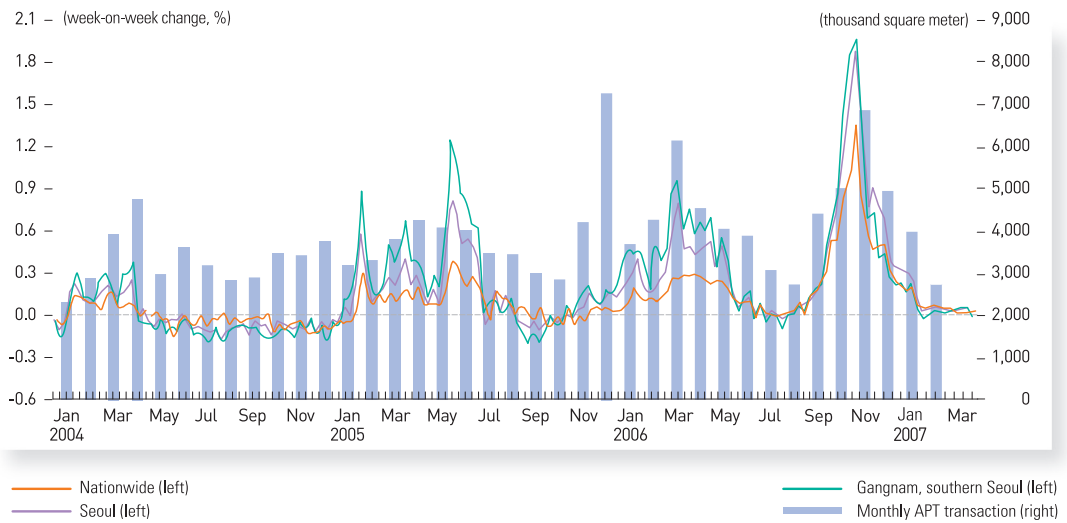
12-1 Real estate prices

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

Nationwide land prices in February 2007 rose 0.31 percent from the previous month.

Only 65 areas out of 248 cities, counties and districts stayed above the nationwide average while the rest stood at the below average.

Land prices by region

(Percentage change from previous period)

	2004	2005			2006					2007		
	Annual	Annual	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Dec	Jan	Feb
Nationwide	3.86	4.98	1.13	1.11	5.61	1.31	1.43	1.25	1.5	0.49	0.36	0.31
Seoul	4.09	6.56	1.44	1.59	9.17	1.78	2.37	2.19	2.5	0.81	0.51	0.46
Gyeonggi	6.12	5.69	1.41	0.81	5.07	1.12	1.29	1.05	0.5	0.49	0.40	0.35
S. Chungcheong	11.65	8.32	1.28	2.12	5.54	2.77	1.31	0.69	0.67	0.24	0.16	0.15

Nationwide land transactions in February were down from the previous month as well as from a year earlier.

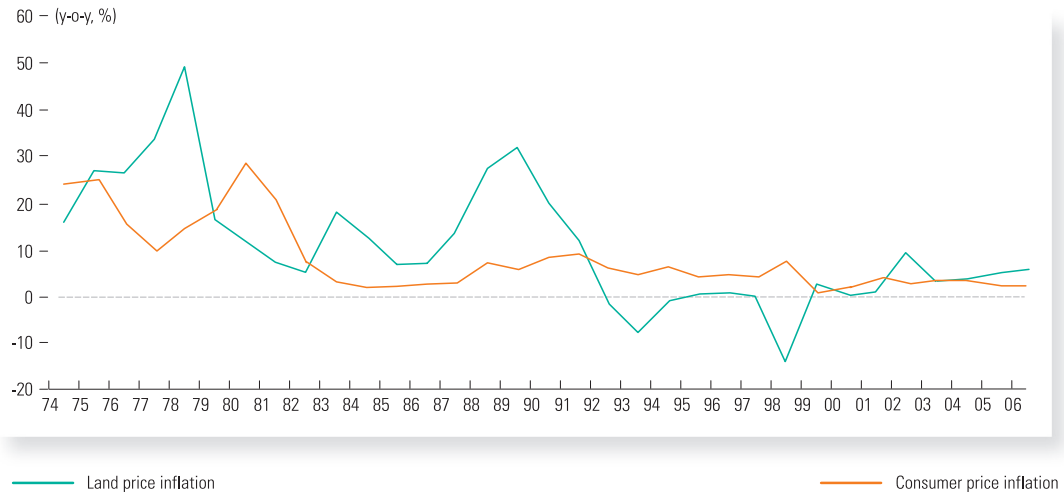
Land sales transactions

(Monthly average, thousand)

	2004	2005	2006										2007	
	Annual	Annual	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Nationwide	218	248	261	231	249	211	182	178	236	239	330	372	242	185
Gyeonggi	52	56	61	55	66	52	45	46	66	71	102	100	59	43
N. Chungcheong	8	11	11	8	9	9	8	7	8	7	10	13	9	7
S. Chungcheong	20	17	17	14	15	12	8	8	10	9	12	15	12	9

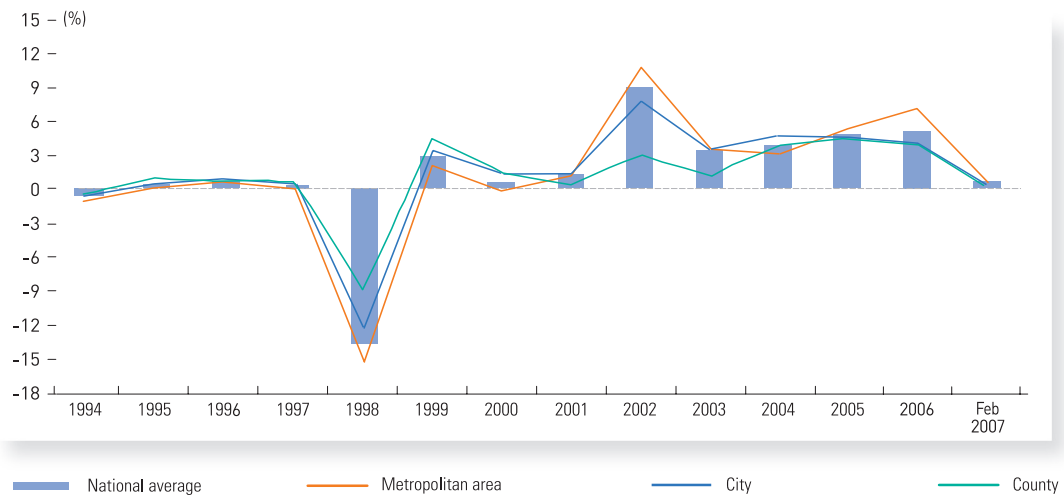
12-4 Land and consumer prices since 1970s

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



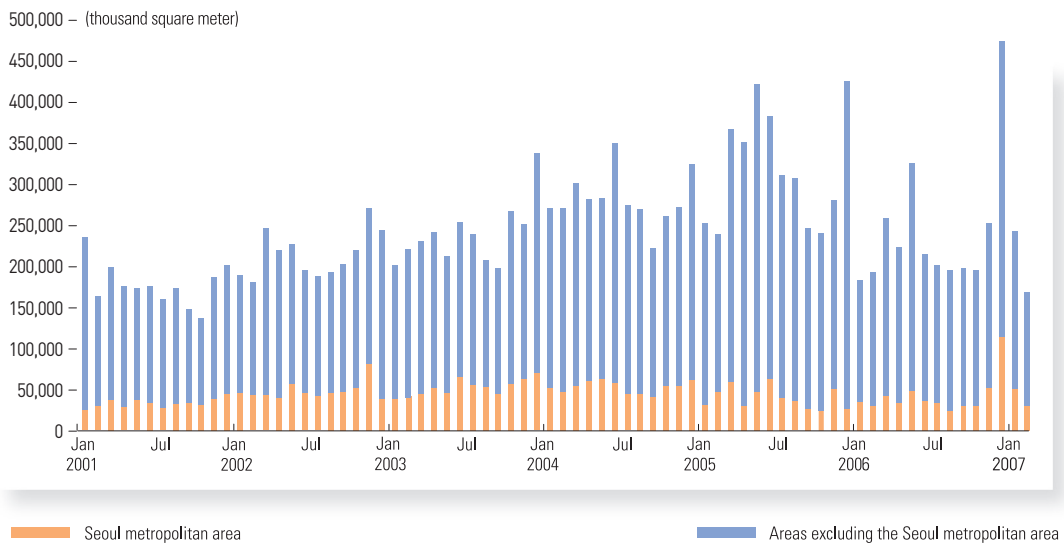
12-5 Land prices by region

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, rose 0.1 percentage points from a month earlier in February 2007 mainly due to the increase in most components of the index including the manufacturing operation ratio, and the wholesale and retail sales index except for the industrial production index.

Cyclical indicator of coincident composite index (%p, m-o-m)

0.4 (Sep 2006) ↻ 1.1 (Oct) ↻ 0.3 (Nov) ↻ -0.2 (Dec) ↻ -0.2 (Jan 2007) ↻ 0.1 (Feb)

The on-year leading composite index in February 2007, which foresees the future economic conditions, rose 0.1 percentage points month-on-month. Some components of the index including the value of machinery order received, the value of construction order placed, and the volume of capital goods imports made solid gains. However, the ratio of job vacancies to job seekers was sluggish.

12 month smoothed change in leading composite index (%p, m-o-m)

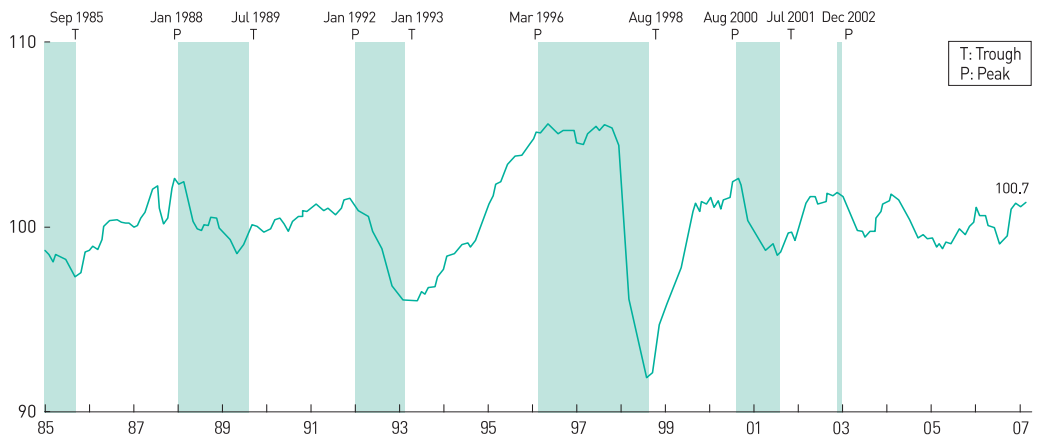
0.2 (Sep 2006) ↻ 0.3 (Oct) ↻ 0.4 (Nov) ↻ -0.1 (Dec) ↻ 0.0 (Jan 2007) ↻ 0.1 (Feb)

	2006			2007	
	Oct	Nov	Dec ¹	Jun ¹	Feb ¹
Coincident composite index (m-o-m)	1.6	0.7	0.2	0.2	0.5
Cyclical indicator of coincident composite index	100.7	101.0	100.8	100.6	100.7
(%p, m-o-m)	1.1	0.3	-0.2	-0.2	0.1
Leading composite index (m-o-m)	0.8	0.8	0.4	0.3	0.5
12 month smoothed change in leading composite index	4.4	4.8	4.7	4.7	4.8
(%p, m-o-m)	0.3	0.4	-0.1	0.0	0.1

1. Preliminary

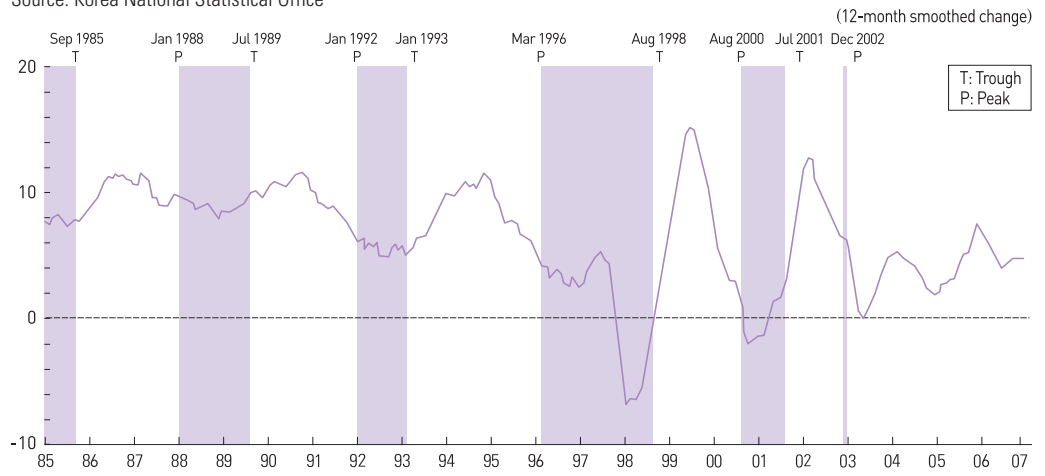
13-1 Cyclical indicator of coincident composite index

Source: Korea National Statistical Office



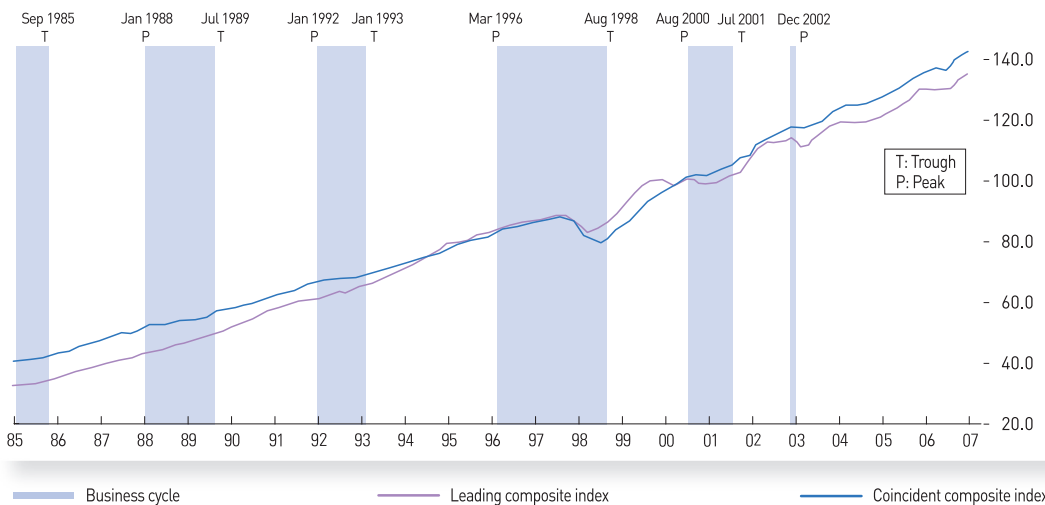
13-2 Leading composite index

Source: Korea National Statistical Office



13-3 Coincident and leading composite indexes

Source: Korea National Statistical Office



Policy Issues

KORUS FTA: Expected Effects

I. Expected macroeconomic impact of the concluded KORUS FTA

1. Overall macroeconomic impact

The KORUS FTA is expected to help support growth of the Korean economy and bolster consumer welfare backed up by income increase and price stabilization. Consumer welfare will be revved up by stabilizing the prices and providing more choices for consumers. There are three paths to income increase.

Paths to income increase	Expected effect
Bolster trade and make resource allocation more efficient	<ul style="list-style-type: none"> - Bolster trade via removing tariff and non-tariff barriers - Increase income of the private sector by raising the investment efficiency
Boost investment	<ul style="list-style-type: none"> - Increase foreign investment in line with improved investment environment such as enhanced opening of services, investor protection, etc. - Increase domestic investment through income increase of the private sector and increased investment efficiency
Enhance productivity	<ul style="list-style-type: none"> - Enhance productivity of the entire economy by promoting competition, adopting and spreading new technology and new management technique, and upgrading the system

2. Sector-based impact

Trade

Exports to the US and the world are expected to increase. Reduced tariffs, less transaction costs and simplified customs procedure will dramatically boost Korea's market access to the US.

2006 export growth to the US (y-o-y, %)

China (18.2), Japan (7.2), Taiwan ROC (9.7), India (16.1), Korea (4.7)

Korea expects its market share to increase in the US by stably securing the world's largest market.

Major countries' US market share trends (1995 → 2006, 1% amounts to about US\$17 billion)

Korea (3.3 → 2.5), Mexico (8.3 → 10.7), China (6.1 → 15.5), Japan (16.7 → 8.0)

Automobiles, textiles and other major export items to the US will rake more benefits as a consequence of the KORUS FTA. Digital televisions and other electronic products, already enjoying low tariffs, will benefit more from tariff elimination and their exports are projected to expand with enhanced competitiveness. Leather, rubber and footwear, which pay high US tariffs of around 10-20%, are also set to greatly benefit from the KORUS FTA.

Trade will see the most visible effect from the free trade agreement.

(US\$100 million, annualized rate)

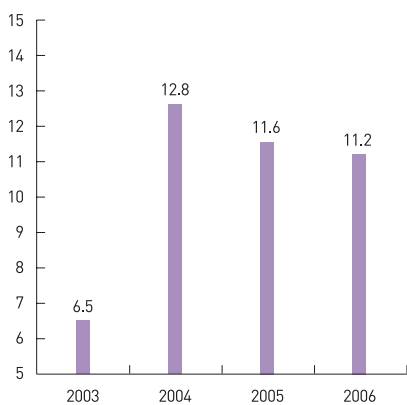
FTAs with the US (export growth to US)			Korea's FTA (Korea's export growth)		
Canada (1994)	1,833	11%	Singapore (2005)	74	28%
	→ (2002) 3,454			→ (2006) 95	
Mexico (1994)	519	23%	Chile (2003)	5.3	66%
	→ (2005) 1,835			→ (2006) 15.8	
Chile (2003)	37	41%			
	→ (2005) 67				

Foreign investment

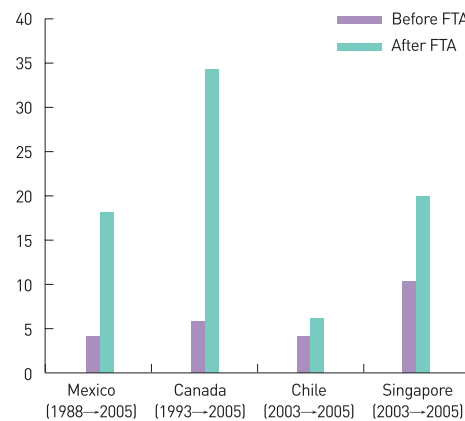
Foreign direct investment is likely to increase. The increase will be driven by introducing investor protection mechanism, facilitating movement of people and boosting Korea's external credibility. Investments will not only come from the US but also from Japan and China. Since no tariff will be imposed on Korea's exports to the US, Japanese and Chinese businesses will find it an advantage in producing US-bound exports in Korea.

Increase of FDI volume will be determined by Korea's efforts to attract more foreign investment. The countries that have signed an FTA with the US have seen FDI inflows growing after the agreement.

< Korea's FDI trend (US\$ billion) >



< FDI trend (pre- and post-FTA, US\$ billion) >



Total factor productivity (TFP)

As the Korean economy has matured, contribution of factor input to growth is in trend moderation. After the financial crisis, productivity growth, to offset the moderation, has been sluggish, too.

GDP Growth and growth factors

	Growth ¹	Labor ²	Capital ²	Human capital ²	Productivity ²
1986-1990	8.5	2.2	3.7	0.5	2.1
1991-1995	7.5	1.6	4.1	0.6	1.2
1996-2000	4.3	0.5	3.2	0.6	0.0
2001-2005	4.4	1.0	1.9	1.0	0.4

1. % 2. Contribution to growth, %p

Source: KDI (Jul 2006)

The KORUS FTA is expected to contribute to TFP growth driven by enhanced competition and upgraded system throughout the entire economy. Free movement and flow of products and production factors will bring about and introduce advanced technology and management know-hows.

Eased entry barriers and regulations will facilitate competition, translating into productivity growth. In particular, productivity growth in services is expected. Since the 1990s, services contribution to productivity has been negative.

Contribution to growth by sector (% , %p)

	1975-1980		1981-1990		1991-2000	
	Manufacturing	Services	Manufacturing	Services	Manufacturing	Services
Growth	12.20	7.21	10.58	8.27	7.97	5.34
- Contribution of labor and capital	5.61	8.56	5.62	6.54	3.14	5.47
- Contribution of productivity	6.59	-1.35	4.96	1.73	4.83	-0.13

Quality and price of financial, legal, accounting and other business support services will be improved, leading to reduction in business management costs.

Consumer welfare

Korea's consumer prices overall are assessed to be higher than those of foreign countries. In particular, prices are high for such items as rice and beef of which the market is closed or open at minimal level compared with items with a higher degree of opening such as snacks and orange juice. According to a survey released in March 2007, beef price in Korea, domestic or imported, is the highest in the world while that of rice is the fourth highest among the 29 countries surveyed.

The KORUS FTA will lower the price of imported items on the back of tariff reduction. In turn, boosted price competition will likely promote consumer welfare. Consumer prices and the degree of economic opening move in opposite direction. The direct positive impact on consumer welfare arising from the agreement will be equivalent to maximum 100 billion won. Meantime, the opening of the service sector will bring about more benefits to consumers not just by directly driving down prices but also by improving the quality of services.

Consumer welfare improvement from zero tariff (as of 2005)

Total imports from the US	Consumer goods imports	Consumer goods import tariff	Average tariff rate
19.1355 trillion won (US\$18.89 billion)	891.6 billion won (US\$0.88 billion)	142.46 billion won	16.0%

Source: Korea Consumer Agency (Jun 2006)

II. Impact analysis by industry

1. Manufacturing

Introduction

When the KORUS FTA takes effect, tariffs will be reduced and markets will become bigger, leading to increases in trade and exports. Tariffs on textiles, leather and daily supplies which constitute most of SME exports will be greatly reduced, trickling down the benefits to SMEs.

FTA is expected to improve trade conditions including easing non-tariff barriers. Korea is to attain various means including establishing a committee of trade remedy cooperation to exempt Korean products from antidumping treatment during antidumping investigation and judgment.

Simplification and speediness of customs procedure will help raise Korea's export competitiveness, reducing both time and costs involved in local US customs clearance. The US elimination of merchandise processing fee is equivalent to US\$47 million of annual fees waived for Korean exporters.

Korean companies will obtain more opportunities to enter the US federal procurement market helped by improvement in qualification bidding and enlargement in bidding targets.

The KORUS FTA will accelerate to upgrade the industrial structure of manufacturing. Technology cooperation capacity is to be built up through joint R&D, attraction of R&D centers and human resources development.

Chronic dependence on Japan is expected to be eased by converting the importing source from Japan to the US in parts and materials. Plastics, carbon textiles, communications equipment parts, chemical raw materials for electronics and precision equipment parts are expected to be some of the first to shift the origin of import.

FTA impact by segment

(Automobiles)

The US automobile market is very competitive and the price gap between Korean and Japanese automobiles is around 3 percent. Accordingly, Korean cars are likely to gain price competitiveness through tariff exemption of 2.5 percent against Japanese automobiles. As of 2006, Korea's finished vehicle exports to the US amounted to US\$8.7 billion or 690,000 units, while the import amount was US\$0.1 billion or 5,000 units.

The tariff exemption of 25% on pickup trucks will give Korean businesses the opportunity to enter the US market. Around 3.2 million units of pickup trucks are sold in the US, and 15% of them are Japanese.

Automobile parts exports are expected to increase due to immediate tariff exemption on automobile parts, growth in local production and sales increase in the US market. The US is the second largest automobile parts export destination for Korea with exports amounting to US\$2.6 billion, followed by China.

There will be indirect effects of promoting brand image and enhancing consumer awareness. In addition, the Korean industry and consumers will benefit from revision of the domestic vehicle taxation system.

(Textiles)

The Korean textiles' share in the global market and its exports to the US are continuously decreasing. Textile exports and employment will increase through KORUS FTA. Korean textiles' global market share decreased from 4.4% in 2000 to 2.3% in 2005. Exports to the US also dropped from US\$3.2 billion in 2001 to US\$2.0 billion in 2006. Accordingly, trade surplus with the US fell from US\$3.0 billion in 2001 to US\$1.7 billion in 2006. Polyester and printed cotton's competitiveness is likely to improve.

However, export increase may be reduced for companies subject to the yarn-forward rule.

(Leather, rubber and footwear)

Exports are expected to increase due to tariff elimination of as high as 10-20% on leather and rubber which are mainly exported by SMEs. Exports of sport shoes will increase remarkably due to tariff exemptions of 48%.

US average tariff rate (%)

Socks (11.5), rubber gloves (14), bags & handbags (20), hats & others (11.1)

(Electric and electronic goods)

Export increase is expected in digital television and high-end home appliances with 2-5% tariff elimination. The US accounts for 32% of the world's large size digital television market. Non-ITA products including LCD module and battery will gain price competitiveness against Japan and China.

Electronics exports to the US (2006, US\$ billion): Total US\$14.5 billion

Electrical appliances (2.15), electronic parts (4.92), industrial electronics (6.79)

(Pharmaceutical products)

Pharmaceutical Price Controls, enforced in December 2006, has formed the foundation to keep pharmaceutical price reasonable while keeping the health insurance system intact. However, Korean generic pharmaceuticals' entry to the US market may be postponed due to the patent term extension influenced by tightened intellectual property right for pharmaceuticals.

However, in the longer term, KORUS FTA will raise competitiveness of the domestic pharmaceutical industry by promoting development of innovative new medicines and restructuring of Korean businesses. Korea's pharmaceutical imports from the US amounts to US\$0.3 billion while imports from the world amounting to US\$2.5 billion.

Korea's exports and imports to the US (2006)

(US\$ million)

	To the US			To the world		
	exports	imports	trade surplus	exports	imports	trade surplus
Automobiles	11,341	583	10,758	43,152	5,811	37,341
Finished automobiles	8,750	148	8,602	32,922	2,417	30,505
Passenger cars	8,610	95	8,515	30,597	1,903	28,694
Automobile parts	2,591	435	2,156	10,230	3,394	6,836
Electronics	14,505	10,855	3,650	120,709	69,545	51,164
Electronics for home use	2,150	326	1,824	14,553	4,369	10,184
Electronic parts	4,922	6,153	-1,231	56,128	35,144	20,984
Electronics for industry use	6,795	3,377	3,418	44,024	22,059	21,965
Mechanics	4,540	5,109	-569	25,313	24,358	955
Steel	2,333	586	1,747	18,555	19,415	-860
Steel materials	2,022	230	1,792	16,224	14,593	1,631
Other steel materials	260	51	209	1,861	710	1,151
Raw subsidiary materials	51	306	-255	471	4,112	-3,641
Textiles	1,995	219	1,776	13,232	8,037	5,195
Filament yarn	128	36	92	1,322	1,669	-347
Textile products	944	106	838	3,203	4,666	-1,463
Cloths	758	58	700	7,824	1,529	6,295
Petro-chemicals	1,042	2,126	-1,084	24,099	10,388	13,711
Base oil	472	483	-11	3,069	2,184	885
Intermediary raw materials	2	231	-229	2,945	1,880	1,065
Fiber synthesis materials	2	108	-106	3,072	729	2,343
Plastics	365	610	-245	11,177	2,597	8,580
Synthetic rubber	105	84	21	979	361	618
Other products	96	610	-514	2,856	2,637	219
Fine chemicals	364	2,035	-1,671	5,136	12,093	-6,957
Dye and pigments	41	97	-56	564	989	-425
Paint and ink	10	50	-40	447	527	-80
Adhesive	8	39	-31	184	191	-7
Surfactant	3	72	-69	245	311	-66
Materials for photos and films	25	119	-94	177	858	-681
Agricultural chemicals and medicines	47	363	-316	649	2,658	-2,009
Soaps and cosmetics	35	192	-157	319	792	-473
Materials for fine chemicals	168	718	-550	2,173	4,488	-2,315
Other products	27	385	-358	378	1,278	-900
Rubber products	840	71	769	2,982	753	2,228
Leather & fur	13	413	-400	848	1,022	-174
Footwear	27	12	15	467	836	-369

2. Services

Introduction

In order to advance the service sector, effective demand for domestic services should increase while regulations should be made transparent and upgraded. The KORUS FTA will boost the inflow of foreign direct investment and expand the market, thereby substantially contributing to the effective demand increase. Transparent and advanced regulations are expected through the introduction of Investor State Dispute mechanism (ISD).

The KORUS FTA has a higher level of opening than FTAs Korea has signed with other countries to date. It will reach an opening level exceeding that of WTO/DDA through the negative list approach. Value-added services including legal, accounting and financial ones will experience market expansion and stronger competition influenced by proactive market opening.

Through the KORUS FTA, Korea promises (currently under reservation) openly that it will not put additional limits to foreign investment. That will lead to increase in investors' predictability and enhance incentives for investment.

However, as for the areas with weak competitiveness and possibility of infringing commonality, Korea is to adjust the level and speed of the opening to the extent that it can accept.

As for broadcasting and telecommunications, Korea will partially open up the sectors in a bid to attract foreign investment and strengthen industrial competitiveness, while taking into account commonality and cultural identity.

Meantime, Korea and the US agreed not to additionally open the educational and medical services.

FTA impact by segment

(Financial, legal and other business support services)

• Finance

A foundation is to be laid for building a Northeast Asia's financial hub. Enhanced transparency of financial supervision and upgraded financial system upgrade will facilitate foreign financial institutions' participation in the domestic market, thereby contributing to jobs growth.

Domestic financial institutions' global operation will be supported. By coming up with a consultation channel between the two countries, Korea will address operational inconveniences of its financial institutions in the US and will increase opportunities for them to further expand their businesses in the US. Meantime, the government will keep measures for soundness designed to maintain financial market stability. Policy financing will sustain for rural and fishing villages as well as SMEs.

- **Legal service**

Domestic companies will benefit from high quality legal services to be offered by the leading US law firms' Korean branches and joint ventures.

Some negative impact may occur in the international business area. However, large domestic law firms are already in alliance with foreign law firms in the area. The US law firms, when entering the domestic market, will increase employment opportunities for Korean lawyers.

The KORUS FTA will help domestic law firms to grow in size, thereby strengthening competitiveness.

(Broadcasting and telecommunications)

A partial opening of the broadcasting and telecommunications sector will help introduce the advanced US technologies and revitalize competition, translating into enhanced competitiveness.

(Mutual recognition arrangement)

The introduction of mutual recognition arrangement will revitalize domestic professionals' entering the US market and expand highly-skilled human resources' exchanges. It will also contribute to the overall advancement of the system by improving education, training and evaluation for each professional sector. At first, engineers, architectural designers and veterinarians will be subject to the mutual recognition arrangement. The scope of recognition will be expanded later through the working group meetings.

(Delivery and transportation services)

The sector is directly related to the manufacturing. Therefore, depending on the future increase of exports toward the US, the services bound for the US will be expanded. Delivery services are already open. Thus, little impact on the domestic industry is expected.

(Educational, medical and other public services)

Both sides agreed not to additionally open educational, medical and other public services. Therefore, no adverse impact is expected.

3. Agriculture and fisheries

Negative impacts will substantially decrease compared with the initial forecast. As for livestock farm products, in particular, with opening already in progress, import substitution is expected.

Rice was excluded in the agreement.

Reflecting the sensitivity as far as possible, most of the sensitive items secured a long period to execute tariff elimination. It was agreed that seasonal duties would be imposed on some items. Sensitive items include grains such as soybeans, beef and other stock farm products and fruits including mandarin orange.

As for edible soybeans, potatoes, dairy products, oranges (harvest season) and natural honey, the current tariff rate will be maintained with import quota for certain quantity.

In fisheries, a considerable amount of execution period for tariff removal was obtained as well for sensitive items of pollacks, croakers and mackerels.

Grains

(Soybeans and potatoes) After separating them into edible grains and grains for processing, the current tariff rate will be maintained for edible grains through tariff rate quota (TRQ), thereby minimizing negative impact.

Livestock farm products

(Beef) Korean beef will be differentiated from imported beef. Much of the US imported beef will replace beef from Australia and New Zealand. By securing a substantial period to execute tariff elimination, the government expects to keep adverse effects to the minimum.

(Pork) Since the pork importing sources have already been diversified, damage from the new trade agreement is expected to be mild. In particular, as for frozen pork, major importing sources will change to the US from Chile, the Netherlands and Belgium which offer higher prices compared with the US.

Percentage share of pork imports (2002-2005, average, %)
EU (42.2), Canada (23.8), US (16.2), Chile (10.3)

Fruits

(Mandarin oranges) Expected increase of the US orange imports will negatively affect the Korean fruit growers. However, the current tariff rate will be maintained by imposing seasonal duties on oranges during harvest.

(Apples) Adverse impact will be minimized by securing a long period for tariff removal.

Other agricultural products

(Vegetables) A long execution period was secured and safeguard is to be introduced for red peppers, garlic and onions.

(Cheese and honey) Sufficient protective measures were secured.

Pollacks and other sensitive fishery products

As for pollacks, croakers and mackerels, a considerable duration of execution period for tariff removal was secured or TRQ will be offered reflecting the sensitivity.

4. Trade and investment

Government procurement

Korean companies will have more opportunities to enter the US federal government procurement market of around US\$340 billion on the back of improvements in the US qualification bidding screening system and the enlargement of bidding targets. SMEs, too, will have more opportunities to bid since the government has rolled back the lower control limit of bidding concession from 200 million won to 100 million won.

Government procurement working group will counter problems that may occur during the procurement procedure and solve them speedily and effectively. In cases of local governments and public enterprises, 37 major state governments and 10 public enterprises markets were already opened according to the WTO Government Procurement Agreement. Exceptions are allowed for certain items in relation to SME protection policy and school meals.

Trade remedies

KORUS FTA will pave the way for lowering non-tariff barriers such as anti-dumping and safeguards, thereby improving trade conditions for Korean companies.

- i) A committee on trade remedies cooperation will be established, so that the government intervenes officially in anti-dumping lawsuits.
- ii) Consent in advance before investigation will prevent abuse of excessive investigation launches.
- iii) Investigations can be terminated through quantity restriction and price undertakings.

Reasonable grounds are to be set up to override global safeguard in order for Korea to remain out of the safeguard measure, even if the U.S. takes safeguard action against the world.

Customs procedure

Simplification and speediness of customs procedure will bolster Korea's export competitiveness. It reduces both the time and the cost of local US customs procedure. The US elimination of merchandise processing fee is equivalent to US\$47 million of annual fees waived for Korean exporters.

In principle, cargos and super express consignments are allowed to carry out from Korea within 48 hours and 4 hours respectively.

The procedure of certifying origin is to be simplified to reduce the time and the cost of trading businesses. The target of making and issuing certificate of origin will be expanded from exporters and manufacturers to importers.

Technical Barriers to Trade (TBT)

The introduction of mutual recognition agreement for telecommunications equipments will make immediate export possible by presenting a certificate from a domestic institution.

Korea will gain major advantage in exports to the US by cooperating and sharing information on technology regulations of both nations.

A TBT Committee will be formed to discuss the difficulties of Korean businesses in the sector. Korea is obliged to provide information on technology regulations managed by state governments in the US.

The government expects advancement in examination and attestation institutions and national test evaluation capacity in fields including information and communication technology and electrical safety.

Economic News Briefing

KORUS FTA to spur economic growth

Korea and the US agreed on a landmark free trade deal on April 2 after long and contentious negotiations, which is the biggest trade pact ever for Korea and the largest for the US since the North American Free Trade Agreement (NAFTA) took effect in 1994.

Under the Korea-US FTA, 94 percent of industrial tariffs between the two countries fall to zero within three years, with the rest to be eliminated within 10 years. Concerning the auto industry, the US immediately abolishes tariffs on passenger cars with an engine capacity of below 3,000cc, and within three years for bigger cars. Korea will overhaul and streamline its tax schemes for autos, as well as abolish tariffs on them right away. As for services, Korea will gradually open accounting, law and broadcasting services.

The bilateral trade agreement will offer open opportunity to Korea strengthening its economic growth and bolstering consumer welfare. With overall withdrawal of tariff and non-tariff barriers between Korea and the US, the trade deal is expected to boost two-way trade, giving Korea easier access to the world's largest consumer market while helping improve competitiveness in its service industries amid more foreign firms entering its market. In addition to the economic benefits for the two countries, the deal will strengthen the long-standing Korea-US alliance forged since the Korean War.

Korea and the US will announce the final text of KORUS FTA after technically fine-tuning provisions of the agreement and examining them in light of respective national laws. The agreement will come into effect 6 months after the agreement is finally signed, following ratification by legislative bodies of both countries.

Meantime, Deputy Prime Minister and Minister of Finance and Economy Okyu Kwon said that credit rating agencies such as Standard & Poor's, Moody's and Fitch have assessed the KORUS FTA deal favorably and the government will put its utmost efforts in maximizing the deal's impact on the nation's sovereign rating. Minister Kwon also indicated that the government may push to strike a free trade agreement with China after it wraps up

negotiations with the European Union (EU). Korea and EU plan to launch formal talks in May on forging the trade deal by the year's end. Trade volume between the two reached US\$70 billion in 2006. Separately, Chinese Prime Minister Wen Jiabao expressed his hope that China can soon reach a free trade agreement with Korea following ongoing joint studies on the trade pact.

Korea grew 5% last year (preliminary)

Korea's real gross domestic product (GDP) in 2006 expanded 5.0 percent year-on-year in line with the initial forecast, on the back of robust exports and accelerated growth in facility investment and private consumption. It increased 4.2 percent in the previous year.

By industrial sector, production growth in the manufacturing (up 8.4%) and service (up 4.2%) sectors speeded up while output in the agriculture, forestry and fisheries (down 2.6 %) and construction (down 0.1%) sectors declined.

In the fourth quarter of 2006, the real GDP grew 4.0 percent from a year earlier, and revised up 0.9 percent from the previous quarter. The growth rate for 2005 was also upwardly revised to 4.2 percent from the previous estimate of 4.0 percent.

GDP by production and expenditure*

(Percentage change from same period in previous year)

	2005		2006 ¹ (original)				2006 ¹ (SA) ²			
	Annual	Annual	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP	4.2	5.0	6.3	5.1	4.8	4.0	1.0	0.8	1.2	0.9
Agriculture, forestry and fishery	0.7	-2.6	0.9	-3.3	-4.7	-2.0	-2.2	-0.7	-0.4	-0.6
Manufacturing	7.1	8.4	9.9	9.3	9.0	5.7	0.8	1.6	2.2	1.0
Construction	-0.1	-0.1	-0.3	-4.3	1.4	2.6	-0.2	-1.4	3.6	0.6
Services	3.4	4.2	4.6	4.1	3.9	4.1	1.1	0.7	0.9	1.2
Private consumption	3.6	4.2	5.2	4.1	4.0	3.7	1.2	0.6	0.9	1.0
Facility investment	5.7	7.6	7.0	7.2	11.1	5.3	-1.0	2.2	3.8	0.1
Construction investment	-0.2	-0.4	0.2	-5.0	-0.1	3.2	0.0	-0.9	2.0	1.9
Goods exports	9.7	12.6	11.1	16.0	13.1	10.4	2.3	5.4	2.9	-0.5
Goods imports	6.4	10.8	10.7	13.6	11.2	7.7	1.8	6.1	2.0	-2.1
GNI	0.7	2.3	1.6	1.7	2.4	3.3	-0.5	0.8	0.5	2.5

*At 2000 constant prices

1. Preliminary

2. Seasonally adjusted, percentage change from previous period

2006 Consolidated fiscal balance at a 3.6 trillion won surplus

The Korean government closed the balance sheets for Fiscal Year 2006, which was processed from the deliberations by the Council Cabinet Meeting on April 3, 2007 and will be presented to the National Assembly by the end of May 2007 after the examination by the Board of Audit and Inspection.

Korea's consolidated fiscal balance for 2006 posted a 3.6 trillion won surplus, or 0.4 percent of GDP, while the so-called "adjusted fiscal balance," which is consolidated fiscal balance minus the surplus in social security funds and repaid public funds, recorded a 10.8 trillion won deficit or 1.3 percent of GDP. This fiscal balance indicated the slight improvement from the previous estimate of the National Assembly Budget Office in its 2006 budget plan.

President Roh visits Middle East to boost economic ties

The President of Republic of Korea, Mr. Roh Moo-hyun visited Saudi Arabia, Kuwait and Qatar from March 24 to 29, aiming to enhance the nation's economic relations with the Middle Eastern countries.

During his visit, Mr. Roh sought for an opportunity to expand the South Korea's partnership and cooperation with Gulf Cooperation Council (GCC) countries in the fields of energy resources, infrastructure construction, defense industry and information technology. The GCC is a regional organization involving the six Arab Gulf states - Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates - with many economic and social objectives in mind.

Some 200 South Korean business leaders accompanied the president on his Middle East trip, seeking to support his sales diplomacy and establish human networks through business forums, symposiums and various industrial exhibitions.

Roh became the first South Korean head of state to visit Saudi Arabia and Kuwait in 27 years, while his trip to Qatar was the first ever by any president of Republic of Korea.

Mr. Roh and Saudi Arabian King Abdullah bin Abdul Aziz held a summit in Riyadh on March 24 and agreed to expand ties between the two countries and step up cooperation in information technology, education and culture. The two leaders agreed to strengthen cooperation in securing a stable supply of oil for Korea and for increasing the country's construction orders in Saudi Arabia.

Mr. Roh on March 27 urged Korean and Kuwaiti business leaders to further expand bilateral cooperation in the fields of energy, plants, construction and IT. Speaking to a meeting of the Korea-Kuwait Business Forum, the president said that Korea wishes to better contribute to Kuwait's economic development by widening cooperation in the fields of construction and plants, in particular.

In Qatar, President Roh and the Qatari emir, Sheikh Hamad bin Khalifa Al-Thani on March 28 agreed to expand relations between South Korea and Qatar into a full-scale, comprehensive partnership. After a summit, the two leaders issued a joint press statement for the establishment of an "omni-directional" partnership that, among other things, upgrades the bilateral cooperation committee from a director-level to a ministerial one.

Korea's overseas investment jumps 22.6% in 2006

The Bank of Korea (BOK) announced on March 15 that Korea's overseas investment in 2006 soared 22.6 percent from the previous year to US\$441.6 billion due mainly to a rise in securities investment. Securities investment went up 72.8 percent to US\$77.2 billion, while direct investment reached US\$46.8 billion, up 20.8 percent year-on-year.

Meanwhile, foreign investment in Korea stood at US\$654.2 billion as of the end of last year, up 21.3 percent from a year earlier. Securities investment, which accounts for most foreign investment in the country, rose 14.6 percent to US\$357.3 billion, while direct investment grew 12.5 percent year-on-year to US\$118 billion.

Korea to adopt stricter accounting rules from 2011

The Financial Supervisory Service (FSS) announced on March 15 that Korea plans to introduce International Financial Reporting Standards (IFRS) as part of its efforts to make corporate accounting more comparable, reliable as well as transparent, which will contribute to boosting investor confidence in Korean firms.

All listed companies will be subject to the IFRS from 2011, although they may start adopting the global standard beginning in 2009. Consolidated quarterly and semiannual financial reporting, prepared in accordance with IFRS, is to be phased in to ensure smooth transition. Listed companies with 2 trillion won or more in assets will be required to file consolidated financial statements from 2011, while other listed firms from 2013.

Consolidated financial statements must be prepared and presented by the controlling parent company. If a subsidiary with controls over sub-subsidiaries is a listed company or a financial service provider, separate consolidated financial statements under IFRS are to be prepared and presented. A company that holds 50 percent or more shares in another company or exercises effective control over the company will be obliged to issue consolidated financial statements. Currently, the equity threshold for consolidated reporting is 30 percent.

The adoption of IFRS will mean that investors home and abroad are able to have readily access to globally-consistent and richer accounting information on Korean companies at sharply lower information cost. For Korean companies, particularly those that are internationally active or whose shares are traded in overseas markets, financial reporting with one consistent rule under IFRS will also reduce compliance cost and other costs.

New measures for junk bond funds introduced

The Financial Supervisory Service on March 9, 2007 announced new supervisory measures for high-yield funds commonly known as “junk bond funds” to meet recently amended tax law provisions, which apply a reduced tax rate for funds that invest 10 percent or more of the assets on speculative-grade corporate bonds and commercial papers.

The new measures assign the scope of junk bond funds and require stipulations and disclosures to be made in the investment contract and prospectus for junk bond funds.

Under the amended tax law provision, an investor who invests in a junk bond fund for more than a year and up to three years is eligible for a low 5 percent tax rate for any gains from investment up to 100 million won. There is no additional tax benefit for investment held in a junk bond fund beyond the three-year or the 100 million won cap. For foreign investors, there is no limit on investment amount eligible for the reduced tax rate.

These rules apply to junk bond funds that are newly created after January 1, 2007, and invest only in domestic asset with 60 percent or more in bonds and 10 percent or more in the eligible debt securities.

South Korean firms optimistic about inter-Korean trade

According to the recent survey conducted by the Korea International Trade Association (KITA), 45 percent (67 firms) of the respondents from the 150 South Korean companies doing business with North Korea said inter-Korean trade will likely increase this year due to expectations for better ties with the North. 35 percent expected trade to remain at the same level as last year, while 15 percent said it is likely to decline. Especially, 75 percent of local companies operating in the Gaesong industrial park had an optimistic outlook for inter-Korean trade, the poll showed.

Meanwhile, Korea will begin preparations for the development of a 2.5-million-pyeong or 8.25 million square meters area in the inter-Korean industrial complex in the second half of this year as the second stage construction for the Gaesong industrial park. The construction project aims to build a 20-million-pyeong or 66 million square meters industrial base in three stages for South Korean companies by 2012. The complex, if completed, is expected to employ as many as half a million North Koreans to work for about 2,000 to 3,000 South Korean manufacturers.

Statistical Appendices

Tables & Figures

1. National accounts
2. Production, shipment and inventory
3. Production capacity and operation ratio
4. Consumer goods sales index
5. Consumer goods shipment index and consumer sentiment index
6. Machinery orders received, domestic machinery shipment, and estimated facility investment index
7. Value of construction completed and domestic construction orders received
8. Composite indexes of business cycle indicators and BSI
9. Balance of payments (I)
10. Balance of payments (II)
11. Prices
12. Employment and earnings
13. Financial indicators
14. Monetary indicators
15. Exchange rates

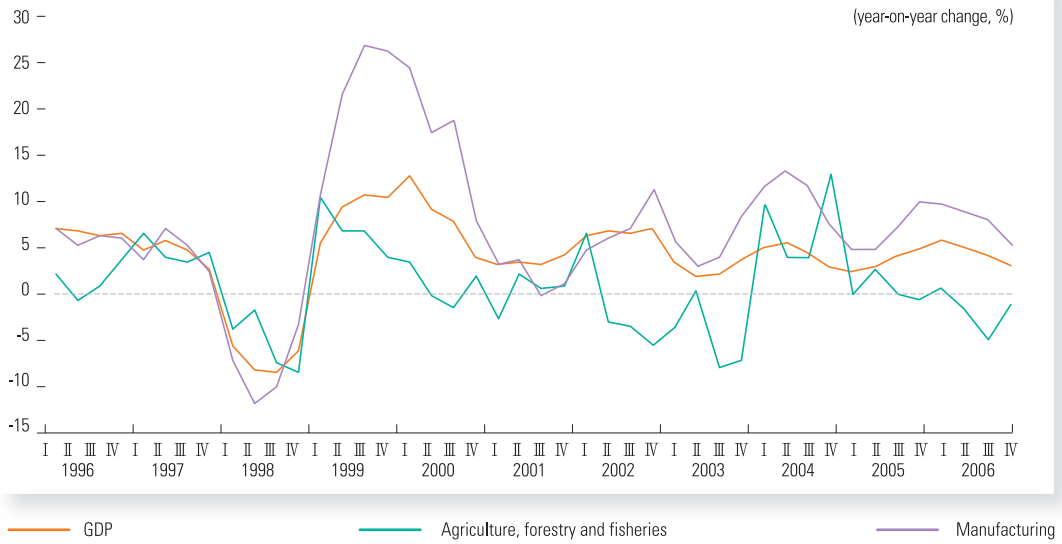
1. National accounts

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

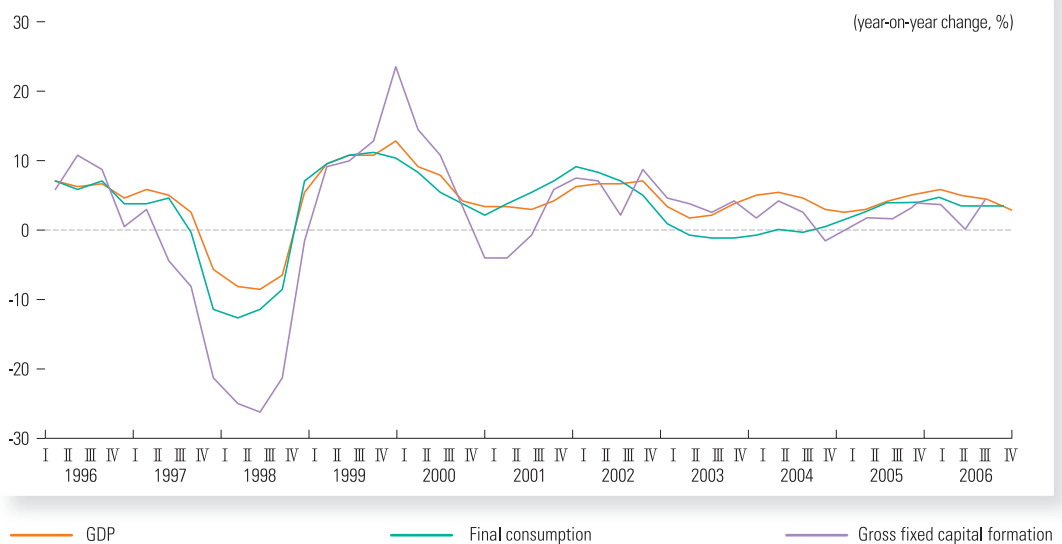
Period	Real GDP			Final consumption expenditure	Gross fixed capital formation		
	Agri., fores. & fisheries	Manufacturing			Construction	Facilities	
1996	7.0	2.3	6.4	7.0	8.4	7.5	9.2
1997	4.7	4.6	4.9	3.2	-2.3	2.3	-9.6
1998	-6.9	-6.4	-7.9	-10.6	-22.9	-12.4	-42.3
1999	9.5	5.9	21.8	9.7	8.3	-3.8	36.8
2000	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	4.2	0.7	7.1	3.9	2.4	-0.2	5.7
2006 ^P	5.0	-2.6	8.4	4.5	3.2	-0.4	7.6
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 I	2.9	-0.1	5.4	2.0	0.5	-3.3	3.8
II	3.4	3.1	5.1	3.9	2.1	1.1	3.1
III	4.8	1.9	7.5	4.8	2.2	-0.1	5.0
IV	5.5	-0.5	10.1	4.9	4.3	0.4	10.8
2006 ^P I	6.3	0.9	9.9	5.2	3.5	0.2	7.0
II	5.1	-3.3	9.3	4.3	0.1	-5.0	7.2
III	4.8	-4.7	9.0	4.3	4.6	-0.1	11.1
IV	4.0	-2.0	5.7	4.3	4.5	3.2	5.3

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		Shipment index		Inventory index		Service production index		
	index	Y-o-Y change (%)	index	Y-o-Y change (%)	index	Y-o-Y change (%)	index	Y-o-Y change (%)	
2003	114.5	5.2	114.3	4.7	110.9	6.1	117.5	1.0	
2004	126.2	10.2	124.7	9.1	121.2	9.3	118.3	0.7	
2005	134.1	6.3	131.7	5.6	124.1	2.4	122.6	3.6	
2006	147.6	10.1	142.0	7.8	131.8	6.2	129.0	5.2	
2003	I	110.2	6.4	110.0	4.9	112.1	10.0	113.5	2.2
	II	112.7	3.4	113.1	3.3	112.6	9.5	118.1	0.9
	III	109.7	3.3	109.4	3.1	110.7	8.4	117.1	0.5
	IV	125.5	8.1	124.8	7.3	110.9	6.1	121.3	0.7
2004	I	122.8	11.4	121.2	10.2	117.2	4.5	116.0	2.2
	II	127.1	12.8	125.5	11.0	115.9	2.9	119.3	1.0
	III	121.7	10.9	120.3	10.0	116.1	4.9	116.6	-0.4
	IV	133.5	6.4	131.9	5.7	121.2	9.3	121.2	-0.1
2005	I	127.1	3.5	125.6	3.6	127.6	8.9	116.9	0.8
	II	131.6	3.5	129.9	3.5	124.3	7.2	122.4	2.6
	III	130.4	7.1	128.0	6.4	122.8	5.8	123.0	5.5
	IV	147.3	10.3	143.2	8.6	124.1	2.4	128.3	5.9
2006	I	143.4	12.8	137.8	9.7	132.4	3.8	124.1	6.2
	II	146.7	11.5	141.6	9.0	133.6	7.5	129.0	5.4
	III	145.2	11.3	139.8	9.2	130.8	6.5	128.5	4.5
	IV	155.0	5.2	148.6	3.8	131.8	6.2	134.5	4.8
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	142.1	7.7	135.2	5.3	128.1	-0.4	124.1	7.7
	2	136.7	21.4	132.2	17.5	130.2	2.3	118.1	6.0
	3	151.4	10.7	146.0	7.5	132.4	3.8	130.2	5.3
	4	145.1	10.7	140.1	8.4	132.5	3.7	128.5	6.6
	5	148.5	12.6	142.8	10.4	134.7	5.2	130.2	6.5
	6	146.5	11.2	141.9	8.3	133.6	7.5	128.2	4.3
	7	137.4	4.9	130.5	1.8	135.8	7.2	124.9	2.8
	8	142.6	11.7	138.5	9.7	131.7	7.3	128.0	5.5
	9	155.7	17.6	150.5	16.2	130.8	6.5	132.5	6.9
	10	151.6	5.5	144.4	2.9	131.6	7.3	129.0	4.5
	11	160.8	7.1	154.1	5.3	131.3	7.1	132.5	5.7
	12	152.7	3.0	147.2	3.0	131.8	6.2	141.9	5.4
2007	1 ^P	152.7	7.5	144.6	7.0	142.2	11.0	130.3	5.0
	2 ^P	136.2	-0.4	134.2	1.5	141.5	8.7	125.9	6.6

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 (%)	
2003	109.8	3.3	99.7	0.0	78.3	
2004	115.1	4.8	102.5	2.8	80.3	
2005	119.0	3.4	102.1	-0.4	79.7	
2006	123.1	3.4	103.1	1.0	81.1	
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	79.5
	II	118.1	2.4	104.1	-0.8	79.5
	III	118.9	2.9	98.7	0.4	79.9
	IV	121.7	4.5	106.0	0.2	80.1
2006	I	122.6	4.6	102.2	2.8	81.8
	II	122.8	4.0	105.0	0.9	80.7
	III	122.7	3.2	100.8	2.1	80.6
	IV	124.3	2.1	104.4	-1.5	81.3
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	122.5	4.6	99.8	-2.8	83.1
	2	122.5	4.5	97.5	12.3	80.9
	3	122.7	4.6	109.3	0.6	81.3
	4	122.7	4.6	103.3	-1.4	79.3
	5	122.8	3.7	106.2	2.1	80.9
	6	122.8	3.6	105.5	1.8	81.9
	7	122.8	3.6	94.9	-6.8	76.7
	8	122.6	3.4	98.0	1.9	81.2
	9	122.6	2.6	109.4	11.4	84.0
	10	124.1	2.6	101.2	-3.5	81.9
	11	124.3	1.9	109.7	0.9	81.6
	12	124.4	1.9	102.4	-2.0	80.5
2007	1P	124.5	1.6	104.2	4.4	81.4
	2P	124.5	1.6	93.2	-4.4	82.2

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		Durable goods		Semi-durable goods		Non-durable goods	
	Y-o-Y change (%)		Y-o-Y change (%)		Y-o-Y change (%)		Y-o-Y change (%)	
2003	115.0	-3.1	113.4	-9.1	111.4	-5.1	117.6	1.1
2004	116.2	1.0	117.1	3.3	115.8	3.9	116.0	-1.4
2005	121.0	4.1	124.7	6.5	124.9	7.9	117.4	1.2
2006	126.7	4.7	138.4	11.0	131.3	5.1	118.7	1.1
2003 I	113.7	-1.0	113.1	-4.3	111.6	-2.3	115.1	1.6
2003 II	114.0	-3.9	114.4	-11.8	109.3	-7.8	116.0	2.7
2003 III	112.9	-4.6	112.1	-10.4	98.4	-9.2	120.2	0.6
2003 IV	119.5	-3.0	113.8	-9.8	126.3	-1.7	119.1	-0.1
2004 I	114.3	0.5	110.6	-2.2	112.7	1.0	117.0	1.7
2004 II	115.9	1.7	115.3	0.8	117.5	7.5	115.4	-0.5
2004 III	113.7	0.7	117.6	4.9	101.9	3.6	117.3	-2.4
2004 IV	121.0	1.3	125.0	9.8	131.3	4.0	114.1	-4.2
2005 I	115.8	1.3	114.5	3.5	115.5	2.5	116.6	-0.3
2005 II	120.0	3.5	122.9	6.6	125.9	7.1	115.7	0.3
2005 III	119.0	4.7	126.4	7.5	111.7	9.6	118.7	1.2
2005 IV	129.4	6.9	135.1	8.1	146.6	11.7	118.4	3.8
2006 I	121.9	5.3	127.7	11.5	124.1	7.4	118.0	1.2
2006 II	127.3	6.1	136.8	11.3	134.3	6.7	119.2	3.0
2006 III	122.4	2.9	140.8	11.4	114.9	2.9	116.7	-1.7
2006 IV	135.2	4.5	148.1	9.6	151.9	3.6	120.8	2.0
2004 1	120.2	-1.6	110.2	-6.3	116.7	-0.6	126.9	0.2
2004 2	107.7	3.3	108.3	1.6	107.0	7.2	107.8	2.5
2004 3	115.0	0.2	113.3	-1.6	114.3	-2.9	116.2	2.5
2004 4	115.5	1.3	117.6	0.1	119.5	5.3	112.5	0.2
2004 5	117.2	-0.4	112.7	-2.7	124.2	6.4	116.1	-2.5
2004 6	114.9	4.3	115.5	5.2	108.7	11.4	117.6	0.9
2004 7	113.7	1.3	122.5	6.0	104.2	6.4	113.7	-3.1
2004 8	107.4	-1.1	113.3	6.0	88.3	-0.9	113.6	-4.3
2004 9	119.9	1.7	117.0	2.8	113.2	4.7	124.6	0.0
2004 10	118.7	-0.2	122.8	5.0	130.0	5.5	111.3	-5.5
2004 11	119.3	0.3	122.6	10.0	132.4	1.9	111.4	-5.2
2004 12	125.1	3.7	129.6	14.6	131.5	4.5	119.7	-1.9
2005 1	115.5	-3.9	114.3	3.7	115.7	-0.9	116.1	-8.5
2005 2	111.7	3.7	106.7	-1.5	107.9	0.8	116.1	7.7
2005 3	120.1	4.4	122.6	8.2	122.9	7.5	117.6	1.2
2005 4	119.0	3.0	121.5	3.3	126.7	6.0	114.0	1.3
2005 5	121.7	3.8	122.7	8.9	131.6	6.0	116.4	0.3
2005 6	119.3	3.8	124.4	7.7	119.3	9.8	116.7	-0.8
2005 7	119.9	5.5	136.6	11.5	113.7	9.1	114.5	0.7
2005 8	114.5	6.6	124.7	10.1	97.8	10.8	117.4	3.3
2005 9	122.5	2.2	117.8	0.7	123.6	9.2	124.3	-0.2
2005 10	123.4	4.0	125.5	2.2	141.4	8.8	113.8	2.2
2005 11	127.6	7.0	135.3	10.4	143.0	8.0	116.4	4.5
2005 12	137.2	9.7	144.5	11.5	155.5	18.3	124.9	4.3
2006 1	126.0	9.1	122.3	7.0	125.6	8.6	128.1	10.3
2006 2	113.3	1.4	123.9	16.1	115.9	7.4	106.6	-8.2
2006 3	126.5	5.3	136.9	11.7	130.8	6.4	119.2	1.4
2006 4	125.6	5.5	131.2	8.0	137.7	8.7	117.1	2.7
2006 5	129.7	6.6	136.6	11.3	141.2	7.3	120.7	3.7
2006 6	126.5	6.0	142.5	14.5	123.9	3.9	119.7	2.6
2006 7	118.9	-0.8	135.6	-0.7	115.7	1.8	111.9	-2.3
2006 8	119.4	4.3	141.0	13.1	99.7	1.9	117.9	0.4
2006 9	129.0	5.3	145.9	23.9	129.2	4.5	120.3	-3.2
2006 10	129.8	5.2	136.6	8.8	141.4	0.0	120.8	6.2
2006 11	134.1	5.1	151.3	11.8	152.7	6.8	116.7	0.3
2006 12	141.7	3.3	156.5	8.3	161.6	3.9	124.9	0.0
2007 1P	129.4	2.7	148.2	21.2	132.1	5.2	118.7	-7.3
2007 2P	127.3	12.4	139.9	12.9	124.2	7.2	122.5	14.9

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
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	-	-
2006	113.3	4.9	124.0	10.1	107.8	3.5	-	-
2003 I	107.0	-0.8	112.9	-1.2	104.2	-0.8	-	-
2003 II	104.6	-5.5	113.0	-8.4	100.6	-4.4	-	-
2003 III	104.2	-4.8	105.4	-10.6	103.2	-2.3	-	-
2003 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	-	-
2004 II	104.9	0.3	108.5	-4.0	101.3	0.7	-	-
2004 III	102.5	-1.6	99.6	-5.5	101.7	-1.5	-	-
2004 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	-	-
2005 II	105.3	0.4	111.2	2.5	101.3	0.0	-	-
2005 III	107.7	5.1	111.5	11.9	104.7	2.9	-	-
2005 IV	116.6	7.3	126.0	17.4	110.4	3.7	-	-
2006 I	109.4	6.8	116.1	14.0	105.0	4.4	-	-
2006 II	111.3	5.7	125.1	12.5	104.4	3.1	-	-
2006 III	113.4	5.3	121.7	9.1	109.4	4.5	-	-
2006 IV	119.2	2.2	133.2	5.7	112.6	2.0	-	-
2004 1	106.2	-5.7	103.3	-9.0	106.8	-4.8	101.2	72.6
2004 2	103.5	3.7	112.1	2.2	98.5	3.2	99.0	71.9
2004 3	112.0	3.2	115.7	0.3	109.0	3.7	96.4	68.5
2004 4	107.9	1.6	112.6	-3.0	104.2	2.8	103.0	74.9
2004 5	103.5	-1.4	106.7	-6.7	100.0	-0.8	97.1	70.7
2004 6	103.2	0.7	106.1	-2.1	99.8	0.3	94.1	67.3
2004 7	102.5	-0.3	102.4	-2.9	100.7	-0.8	90.8	66.2
2004 8	100.7	-1.9	96.6	-3.0	100.9	-2.5	88.3	63.1
2004 9	104.4	-2.5	99.8	-10.2	103.6	-1.1	90.1	65.0
2004 10	108.5	-5.5	108.7	-8.0	105.6	-5.7	89.1	65.1
2004 11	108.8	-0.3	109.1	-3.5	105.3	-0.5	87.8	62.8
2004 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
2005 2	91.7	-11.4	91.4	-18.5	90.3	-8.3	102.5	83.2
2005 3	108.2	-3.4	112.0	-3.2	104.5	-4.1	105.7	89.6
2005 4	103.9	-3.7	107.5	-4.5	100.6	-3.5	104.7	90.2
2005 5	104.9	1.4	110.6	3.7	101.1	1.1	102.2	85.5
2005 6	107.1	3.8	115.4	8.8	102.1	2.3	97.8	79.7
2005 7	106.7	4.1	116.1	13.4	101.5	0.8	97.2	78.9
2005 8	107.0	6.3	108.1	11.9	105.2	4.3	96.7	78.3
2005 9	109.4	4.8	110.4	10.6	107.3	3.6	99.1	81.2
2005 10	113.8	4.9	122.4	12.6	107.8	2.1	100.0	83.4
2005 11	117.6	8.1	128.9	18.1	110.2	4.7	101.5	84.9
2005 12	118.4	8.7	126.8	21.8	113.2	4.2	103.0	85.3
2006 1	110.4	3.0	112.3	10.0	107.9	0.9	104.5	88.4
2006 2	103.1	12.4	112.5	23.1	97.8	8.3	103.8	89.0
2006 3	114.6	5.9	123.5	10.3	109.2	4.5	103.4	90.1
2006 4	108.8	4.7	118.1	9.9	103.7	3.1	100.6	87.2
2006 5	112.0	6.8	125.5	13.5	105.3	4.2	98.0	83.0
2006 6	113.0	5.5	131.8	14.2	104.2	2.1	97.4	81.9
2006 7	104.7	-1.9	110.3	-5.0	102.2	0.7	94.3	87.7
2006 8	110.5	3.3	117.4	8.6	107.5	2.2	93.7	77.8
2006 9	124.9	14.2	137.3	24.4	118.4	10.3	94.8	87.9
2006 10	114.1	0.3	126.8	3.6	107.8	0.0	93.9	80.7
2006 11	122.8	4.4	139.4	8.1	115.1	4.4	95.2	77.3
2006 12	120.7	1.9	133.4	5.2	115.0	1.6	93.7	77.1
2007 1	117.5 ^P	6.4 ^P	127.4 ^P	13.4 ^P	113.1 ^P	4.8 ^P	96.1	79.3
2007 2	107.3 ^P	4.1 ^P	120.1 ^P	6.8 ^P	101.8 ^P	4.1 ^P	98.1	82.3
2007 3	-	-	-	-	-	-	97.8	83.3

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		
2004	23,913	2,563	21,350	10,597	101.0	101.2
2005	24,260	2,472	21,879	10,195	107.4	101.8
2006	27,702	2,515	25,188	13,071	115.3	106.6
2005 I	6,207	693	5,514	2,632	104.6	97.2
II	6,008	388	5,620	2,800	108.1	104.8
III	5,796	580	5,217	2,330	103.6	98.5
IV	6,248	811	5,437	2,433	113.3	106.8
2006 I	6,779	293	6,486	3,405	111.1	101.9
II	7,259	559	6,700	3,531	115.3	108.2
III	6,670	671	5,999	3,060	115.8	102.4
IV	6,994	991	6,003	3,074	119.1	114.0
2005 7	1,938	224	1,714	780	110.8	101.8
8	1,968	221	1,747	754	102.0	96.5
9	1,890	134	1,756	797	98.1	97.1
10	1,928	235	1,693	727	107.5	98.2
11	1,929	145	1,784	798	109.6	100.6
12	2,391	431	1,960	908	122.8	121.5
2006 1	2,022	81	1,941	960	102.3	93.1
2	2,324	96	2,228	1,187	103.5	96.4
3	2,434	117	2,317	1,259	127.5	116.2
4	2,377	94	2,282	1,225	117.1	104.9
5	2,219	93	2,126	1,070	116.1	111.9
6	2,664	372	2,292	1,236	112.6	107.9
7	1,892	72	1,820	866	115.1	95.3
8	2,264	256	2,007	1,016	116.7	101.4
9	2,514	342	2,172	1,178	115.5	110.6
10	2,587	635	1,952	1,015	113.5	101.2
11	2,123	71	2,052	999	118.1	111.0
12	2,283	286	1,999	1,060	125.6	129.7
2007 1 ^P	2,528	78	2,451	1,253	118.1	102.8
2 ^P	2,723	168	2,555	1,340	116.3	103.2
<i>Y-o-Y change (%)</i>						
2004	6.8	17.6	5.7	22.8	3.7	-1.3
2005	1.5	-3.6	2.1	-3.8	6.3	0.6
2006	14.2	1.7	15.6	28.2	7.4	4.7
2005 I	-6.9	7.7	-8.4	-10.3	5.0	-0.3
II	-12.2	-51.5	-7.0	-6.5	2.5	-1.1
III	14.0	38.9	11.7	2.7	4.2	2.4
IV	17.5	15.7	17.8	1.4	14.0	1.8
2006 I	9.2	-57.7	17.6	29.4	6.2	4.8
II	20.8	44.1	19.2	26.1	6.7	3.2
III	15.1	15.9	15.0	31.3	11.8	4.0
IV	11.9	22.2	10.4	26.4	5.1	6.7
2005 7	26.2	179.8	17.8	13.1	11.1	4.6
8	18.3	116.5	11.9	1.7	1.4	1.3
9	0.1	-43.0	6.3	-5.0	0.2	1.0
10	0.7	51.0	-3.8	-24.9	7.2	-2.9
11	11.7	-28.8	17.1	3.0	13.0	1.5
12	42.8	26.2	47.1	38.4	21.7	6.2
2006 1	-2.3	-17.3	-1.5	-2.6	1.5	1.3
2	37.5	31.5	37.8	61.9	4.7	11.1
3	-0.6	-77.6	20.3	37.7	11.7	2.9
4	15.3	-30.7	18.6	24.7	13.9	1.0
5	12.3	-16.9	14.1	12.6	5.7	8.2
6	35.1	165.1	25.1	42.6	0.7	0.8
7	-2.4	-68.0	6.2	11.2	3.9	-6.4
8	15.0	16.4	14.9	34.7	14.4	5.1
9	33.0	155.5	23.7	47.9	17.7	13.9
10	34.2	170.7	15.3	39.6	5.6	3.1
11	10.1	-51.2	15.0	25.1	7.8	10.3
12	-4.5	-33.9	2.0	16.8	2.3	6.7
2007 1 ^P	25.1	-3.5	26.2	30.6	15.4	10.4
2 ^P	17.2	75.7	14.7	12.9	12.3	7.1

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
2004	72,838	23,916	46,649	77,774	22,210	51,510
2005	75,831	23,031	50,144	83,489	21,825	58,975
2006	78,637	23,470	52,623	91,001	20,460	66,550
2005 I	15,593	4,707	10,419	17,901	4,349	12,727
II	19,900	6,063	13,215	24,915	5,918	17,878
III	18,627	5,516	12,446	16,817	3,432	13,213
IV	21,711	6,745	14,065	23,856	8,126	15,157
2006 I	16,254	4,158	11,561	16,377	3,807	12,227
II	19,849	5,709	13,510	21,249	4,147	16,801
III	19,520	6,010	12,918	23,049	4,159	18,074
IV	23,014	7,593	14,633	30,327	8,347	19,447
2005 7	6,015	1,759	4,048	6,667	1,111	5,455
8	6,179	1,744	4,207	5,052	1,041	4,000
9	6,433	2,012	4,192	5,098	1,279	3,758
10	6,433	1,846	4,339	5,255	1,258	3,939
11	7,135	2,063	4,785	6,233	2,187	3,933
12	8,143	2,836	4,941	12,368	4,682	7,286
2006 1	4,977	1,291	3,525	5,846	901	4,809
2	4,902	1,218	3,521	4,515	1,518	2,893
3	6,376	1,649	4,515	6,017	1,388	4,525
4	6,354	1,790	4,375	5,266	1,229	3,992
5	6,461	1,841	4,416	6,744	1,403	5,249
6	7,034	2,078	4,720	9,239	1,515	7,560
7	5,873	1,724	3,989	7,123	987	6,020
8	6,286	1,890	4,229	5,808	785	4,598
9	7,361	2,396	4,701	10,118	2,387	7,457
10	6,826	2,192	4,435	5,245	1,609	3,503
11	7,533	2,271	5,009	9,031	2,796	6,101
12	8,655	3,130	5,189	16,051	3,941	9,843
2007 1P	5,498	1,473	3,854	6,411	1,562	4,822
2P	5,310	1,534	3,604	6,326	1,830	4,488
<i>Y-o-Y change (%)</i>						
2004	11.1	4.9	14.8	-3.9	13.5	-11.6
2005	4.1	-3.7	7.5	7.3	-1.7	14.5
2006	3.7	1.9	4.9	9.0	-6.3	12.8
2005 I	0.3	-3.9	2.0	19.1	18.2	15.3
II	7.9	0.4	11.6	36.7	70.7	29.5
III	2.1	-9.3	7.3	13.1	-5.0	27.1
IV	5.4	-2.2	8.2	-19.5	-29.0	-6.9
2006 I	4.2	-11.7	11.0	-8.5	-12.4	-3.9
II	-0.3	-5.8	2.2	-14.7	-29.9	-6.0
III	4.8	9.0	3.8	37.1	21.2	36.8
IV	6.0	12.6	4.0	27.1	2.7	28.3
2005 7	2.8	-4.2	5.7	4.3	-15.3	20.7
8	2.8	-12.1	9.4	16.2	13.5	18.7
9	0.8	-11.1	6.9	23.7	-7.5	50.0
10	1.8	-4.8	4.2	-36.5	-59.7	-18.2
11	10.0	-4.4	16.5	0.8	-2.9	2.5
12	4.5	1.3	4.5	-18.6	-23.0	-4.4
2006 1	0.6	-12.5	6.5	10.9	-34.6	39.7
2	8.0	-13.5	16.6	29.0	158.0	0.7
3	4.3	-9.6	10.5	-34.1	-41.7	-29.4
4	0.2	-6.4	3.4	-17.7	-35.8	-8.5
5	-0.8	-5.5	1.1	-21.7	-26.6	-18.6
6	-0.2	-5.6	2.3	-6.8	-27.6	7.0
7	-2.4	-2.0	-1.4	6.8	-11.2	10.4
8	1.7	8.4	0.5	15.0	-24.6	14.9
9	14.4	19.1	12.1	98.5	86.6	98.4
10	6.1	18.7	2.2	-0.2	27.9	-11.1
11	5.6	10.1	4.7	44.9	27.9	55.1
12	6.3	10.4	5.0	29.8	-15.8	35.1
2007 1P	10.5	14.1	9.3	9.7	73.4	0.3
2P	8.3	26.0	2.3	40.1	20.5	55.1

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	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	130.4	7.3	135.5	100.5	95.4	102.6
	2	130.4	6.9	136.0	100.4	90.5	102.4
	3	130.3	6.3	136.6	100.4	111.5	118.9
	4	130.1	5.7	136.6	100.0	99.8	112.7
	5	130.3	5.2	137.1	99.9	94.1	110.7
	6	130.7	4.9	137.5	99.8	94.2	98.6
	7	130.7	4.2	137.1	99.1	79.1	94.2
	8	131.1	3.9	137.8	99.2	85.9	93.4
	9	132.0	4.1	138.9	99.6	99.4	107.7
	10	133.1	4.4	141.1	100.7	99.4	103.5
	11	134.2	4.8	142.1	101.0	103.7	104.3
	12	134.7 ^P	4.7 ^P	142.4	100.8	100.4	101.4
2007	1	135.1 ^P	4.7 ^P	142.7 ^P	100.6 ^P	85.6	96.5
	2	135.8 ^P	4.8 ^P	143.4 ^P	100.7 ^P	87.5	93.4
	3	-	-	-	-	109.4	112.3
	4	-	-	-	-	-	107.7

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				
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	14,980.9	32,683.1	284,418.7	261,238.3	-13,658.2	-1,562.5	-2,481.5
2006 ^P	6,092.6	29,213.1	325,464.8	309,382.6	-18,762.9	-538.6	-3,819.5
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 I	5,263.5	8,750.5	66,807.6	60,626.8	-3,114.4	166.4	-539.0
II	2,352.1	8,365.8	69,702.8	63,694.9	-3,368.7	-1,948.8	-696.2
III	2,198.2	7,234.8	71,097.7	66,228.3	-4,254.6	-97.3	-684.7
IV	5,167.1	8,332.0	76,810.7	70,688.3	-2,920.5	317.2	-561.6
2006 ^P I	-1,118.4	5,222.6	73,885.0	72,542.1	-4,996.2	-481.7	-863.0
II	692.0	7,413.7	81,473.4	76,719.7	-3,878.9	-1,648.0	-1,194.8
III	374.9	6,227.9	82,712.8	80,215.8	-5,384.7	608.6	-1,076.9
IV	6,144.1	10,349.5	87,393.7	79,905.1	-4,503.1	982.5	-684.8
2005 1	3,682.3	4,356.6	22,454.0	19,450.0	-948.6	498.0	-223.7
2	781.4	1,489.1	20,401.1	18,396.9	-1,008.4	447.7	-147.0
3	799.8	2,904.8	23,952.5	22,779.9	-1,157.4	-779.3	-168.3
4	-1,202.2	2,233.7	22,872.5	21,244.5	-1,053.6	-2,121.9	-260.4
5	1,444.3	2,558.5	23,122.7	21,161.8	-1,182.2	296.5	-228.5
6	2,110.0	3,573.6	23,707.6	21,288.6	-1,132.9	-123.4	-207.3
7	1,237.6	3,052.7	23,235.5	21,508.8	-1,484.3	-91.6	-239.2
8	-527.9	1,472.4	23,343.0	22,000.8	-1,696.6	-71.1	-232.6
9	1,488.5	2,709.7	24,519.2	22,718.7	-1,073.7	65.4	-212.9
10	2,830.3	3,477.0	25,352.7	22,652.7	-610.0	61.8	-98.5
11	2,056.8	3,187.2	25,826.2	23,849.6	-875.1	-80.4	-174.9
12	280.0	1,667.8	25,631.7	24,186.0	-1,435.4	335.8	-288.2
2006 ^P 1	91.2	1,478.2	23,257.9	23,089.3	-1,644.0	571.4	-314.3
2	-782.8	837.3	23,787.0	23,507.8	-1,808.2	418.9	-230.8
3	-426.8	2,907.1	26,840.1	25,945.0	-1,544.0	-1,472.0	-317.9
4	-1,608.1	1,883.9	25,590.1	24,485.8	-1,345.7	-1,876.5	-269.8
5	1,359.6	2,815.3	27,934.5	26,210.4	-1,354.5	387.1	-488.3
6	940.5	2,714.5	27,948.8	26,023.5	-1,178.7	-158.6	-436.7
7	-392.7	1,619.4	25,774.4	25,549.7	-1,744.0	44.4	-312.5
8	-638.3	1,443.2	27,287.2	27,029.5	-2,087.3	311.7	-305.9
9	1,405.9	3,165.3	29,651.2	27,636.6	-1,553.4	252.5	-458.5
10	1,759.9	2,685.5	28,016.0	25,621.8	-1,192.8	461.2	-194.0
11	4,237.5	5,712.6	30,602.3	26,765.1	-1,426.3	236.3	-285.1
12	146.7	1,951.4	28,775.4	27,518.2	-1,884.0	285.0	-205.7
2007 ^P 1	-428.1	1,292.1	28,093.7	27,664.1	-1,943.4	547.1	-323.9
2	492.2	2,477.4	26,273.4	25,232.8	-2,551.1	850.7	-284.8

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		
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	4,756.5	2,010.4	-1,728.2	6,814.7	-2,340.4	-19,805.8	68.4
2006 ^P	18,618.7	-3,483.5	-22,543.6	47,679.1	-3,033.3	-22,111.7	-2,599.6
2004 I	3,980.6	-680.6	10,260.3	-5,226.3	-372.8	-8,746.9	-1,652.1
II	-6,066.6	3,163.8	-757.0	-8,002.9	-470.5	-4,005.5	3,215.5
III	-1,137.1	144.4	1,621.2	-2,514.9	-387.8	-6,805.7	377.4
IV	10,821.9	1,960.7	-2,505.2	11,888.1	-521.7	-19,152.4	997.4
2005 I	4,141.5	-194.0	-1,278.2	6,125.5	-511.8	-9,513.7	108.7
II	2,257.6	1,249.7	-2,575.3	4,247.5	-664.3	-2,817.2	-1,792.5
III	-504.3	48.8	-147.5	256.8	-662.4	-2,300.1	606.2
IV	-1,138.3	905.9	2,272.8	-3,815.1	-501.9	-	1,146.0
2006 ^P I	6,524.4	-1,306.7	1,436.2	7,083.8	-688.9	-5,679.3	273.3
II	3,684.4	780.4	-14,176.7	17,880.6	-799.9	-4,315.7	-60.7
III	4,773.7	-3,656.5	-7,395.3	16,479.6	-654.1	-3,615.4	-1,533.2
IV	3,636.2	699.3	-2,407.8	6,235.1	-890.4	-8,501.3	-1,279.0
2005 1	376.1	101.6	-1,489.7	1,950.3	-186.1	-2,874.5	-1,183.9
2	1,061.5	-255.4	1,864.5	-401.7	-145.9	-1,848.6	5.7
3	2,703.9	-40.2	-1,653.0	4,576.9	-179.8	-4,790.6	1,286.9
4	2,430.5	1,457.1	-972.8	2,182.9	-236.7	-625.4	-602.9
5	1,523.1	-231.1	-740.7	2,730.5	-235.6	-1,636.7	-1,330.7
6	-1,696.0	23.7	-861.8	-665.9	-192.0	-555.1	141.1
7	-9.0	-440.0	2,579.4	-1,936.8	-211.6	-873.2	-355.4
8	212.7	327.8	1,103.9	1,209.2	-220.4	-450.3	765.5
9	-708.0	161.0	-1,623.0	984.4	-230.4	-976.6	196.1
10	-1,941.8	74.5	-3,168.6	1,319.8	-167.5	-715.9	-172.6
11	158.5	160.3	5,406.6	-5,213.5	-194.9	-2,518.6	303.3
12	645.0	671.1	34.8	78.6	-139.5	-1,940.3	1,015.3
2006 ^P 1	3,628.2	-319.4	609.5	3,561.3	-223.2	-5,432.6	1,713.2
2	2,110.2	190.4	2,207.1	-92.7	-194.6	140.7	-1,468.1
3	786.0	-1,177.7	-1,380.4	3,615.2	-271.1	-387.4	28.2
4	4,862.8	585.2	-3,180.0	7,745.1	-287.5	-3,354.6	99.9
5	513.1	125.6	-7,880.1	8,509.1	-241.5	-495.6	-1,377.1
6	-1,691.5	69.6	-3,116.6	1,626.4	-270.9	-465.5	1,216.5
7	1,730.1	-114.2	-3,669.2	5,789.4	-275.9	-686.0	-651.4
8	1,234.9	-663.3	-4,448.2	6,511.4	-165.0	-959.8	363.2
9	1,808.7	-2,879.0	772.1	4,178.8	-213.2	-1,969.6	-1,245.0
10	-2,263.8	-57.9	-614.1	-1,328.7	-263.1	-956.2	1,460.1
11	436.0	126.1	-653.5	1,286.9	-323.5	-2,695.1	-1,978.4
12	5,464.0	631.1	-1,140.2	6,276.9	-303.8	-4,850.0	-760.7
2007 ^P 1	3,034.9	-208.9	-448.0	4,046.8	-355.0	-2,350.7	-256.1
2	-22.1	-687.6	-1,388.7	2,257.5	-203.3	-1,134.7	664.6

P: Preliminary

Source: The Bank of Korea

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

(2000 = 100)

Period	Consumer prices (2005=100)				Producer prices		Export & import prices	
	All Items	Commodity	Service	Core	All items	Commodity	Export	Import
2003	93.9	93.0	94.8	94.9	101.4	99.7	87.5	98.9
2004	97.3	96.9	97.7	97.7	107.6	107.2	92.9	108.9
2005	100.0	100.0	100.0	100.0	109.9	109.8	86.7	112.0
2006	102.2	101.5	102.7	101.8	112.4	112.6	85.1	118.0
2005 7	100.0	99.8	100.1	100.0	109.9	109.8	87.5	114.3
8	100.3	100.3	100.3	100.1	110.2	110.3	87.0	116.5
9	100.8	101.5	100.3	100.2	110.8	111.0	88.8	118.8
10	100.6	101.1	100.3	100.2	111.0	111.2	89.1	118.6
11	100.2	99.7	100.5	100.2	110.4	110.3	86.4	115.5
12	100.5	100.4	100.7	100.4	110.2	109.9	85.0	114.8
2006 1	101.1	101.1	101.1	100.6	110.9	110.7	83.8	115.0
2	101.3	101.1	101.4	100.8	110.9	110.7	82.5	113.7
3	101.9	101.1	102.3	101.4	111.0	110.9	83.3	114.3
4	102.0	101.3	102.5	101.5	111.8	111.9	83.6	117.2
5	102.2	101.6	102.6	101.9	112.5	112.8	84.7	119.7
6	102.0	101.0	102.7	101.9	112.5	112.9	86.2	120.7
7	102.4	101.5	103.0	102.1	113.0	113.5	87.1	123.3
8	103.0	103.0	103.1	102.2	113.9	114.7	89.1	125.3
9	103.3	103.1	103.4	102.2	114.2	114.9	87.3	119.1
10	102.8	101.8	103.4	102.2	113.1	113.3	85.9	116.9
11	102.3	100.7	103.4	102.3	112.5	112.4	84.1	115.1
12	102.6	101.2	103.6	102.5	112.6	112.5	83.6	115.4
2007 1	102.8	101.4	103.8	102.7	112.6	112.3	83.4	112.4
2	103.5	102.3	104.2	103.1	112.8	112.5	84.0	115.4
3	104.1	102.3	105.2	103.8	113.4	113.3	-	-
<i>Y-o-Y change (%)</i>								
2003	3.5	3.3	3.7	3.1	2.2	2.0	-2.2	1.8
2004	3.6	4.2	3.1	2.9	6.1	7.5	6.2	10.2
2005	2.8	3.2	2.4	2.3	2.1	2.4	-6.7	2.9
2006	2.2	1.5	2.7	1.8	2.3	2.6	-1.9	5.3
2005 7	2.6	3.2	2.0	2.1	2.0	2.3	-6.6	3.6
8	2.0	1.7	2.2	1.9	1.4	1.6	-9.3	2.7
9	2.5	2.9	2.2	1.8	1.6	1.6	-7.4	6.3
10	2.3	2.7	2.0	1.7	1.7	1.7	-8.5	3.1
11	2.5	2.8	2.0	1.9	1.1	0.9	-7.1	5.6
12	2.6	3.6	1.9	1.8	1.7	1.6	-3.2	10.2
2006 1	2.2	2.5	2.0	1.3	2.1	2.3	-3.6	10.2
2	2.0	1.6	2.3	1.3	1.7	1.8	-4.9	8.5
3	2.0	1.2	2.3	1.4	1.4	1.3	-4.4	5.7
4	2.0	1.0	2.7	1.5	1.5	1.3	-4.0	6.1
5	2.3	1.8	2.7	1.8	2.7	2.8	0.6	11.3
6	2.4	2.0	2.8	1.9	3.2	3.9	1.3	9.2
7	2.4	1.7	2.9	2.1	2.8	3.4	-0.5	7.9
8	2.7	2.7	2.8	2.1	3.4	4.0	2.4	7.5
9	2.5	1.6	3.1	2.0	3.1	3.5	-1.7	0.2
10	2.2	0.7	3.1	2.0	1.9	1.9	-3.6	-1.4
11	2.1	1.0	2.9	2.1	1.9	1.9	-2.6	-0.3
12	2.1	0.8	2.9	2.1	2.2	2.4	-1.6	0.6
2007 1	1.7	0.3	2.7	2.1	1.5	1.5	-0.4	-2.3
2	2.2	1.2	2.8	2.3	1.7	1.6	1.9	1.5
3	2.2	1.2	2.8	2.4	2.2	2.2	-	-

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.)			All industry		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	
2006	23,978	23,151	4,167	17,181	3.5	-	-	
2005	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	2,356,038	2,201,426
	6	24,320	23,501	4,184	17,294	3.4	2,685,520	2,580,407
	7	24,270	23,447	4,180	17,303	3.4	2,646,200	2,596,198
	8	23,972	23,164	4,114	17,099	3.4	2,607,031	2,531,654
	9	24,096	23,330	4,135	17,248	3.2	2,796,266	2,648,830
	10	24,253	23,463	4,183	17,294	3.3	2,690,402	2,681,556
	11	24,225	23,458	4,137	17,467	3.2	2,409,143	2,226,062
	12	23,773	22,989	4,153	17,348	3.3	3,502,448	3,745,800
2007	1	23,580	22,729	4,156	17,221	3.6	2,627,540	2,425,973
	2	23,536	22,674	4,139	17,114	3.7	-	-
	3	23,960	23,121	4,119	17,371	3.5	-	-
<i>Y-o-Y change (%)</i>								
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	
2006	1.0	1.3	-1.6	2.3	-	-	-	
2005	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	-	7.9	8.1
	6	0.8	1.1	-1.6	2.2	-	4.1	3.4
	7	0.8	1.1	-1.2	2.2	-	6.0	5.9
	8	1.2	1.4	-1.3	2.3	-	5.9	5.3
	9	0.7	1.2	-1.6	2.1	-	1.3	-0.2
	10	0.8	1.2	-1.4	1.9	-	11.5	13.1
	11	1.0	1.1	-1.4	1.9	-	5.6	6.1
	12	1.1	1.3	-1.6	2.0	-	4.6	6.9
2007	1	1.0	1.1	-1.1	1.9	-	8.3	-13.5
	2	0.7	1.2	-1.1	2.1	-	-	-
	3	0.8	1.2	-1.4	2.3	-	-	-

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	1,419.70
	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	1,295.20
	7	4.2	4.6	5.2	4.9	5.0	1,297.80
	8	4.4	4.7	5.1	4.8	4.8	1,352.70
	9	4.5	4.6	5.0	4.7	4.8	1,371.40
	10	4.5	4.6	4.9	4.6	4.7	1,364.60
	11	4.5	4.6	5.1	4.7	4.8	1,432.20
	12	4.5	4.8	5.2	4.8	4.9	1,434.50
2007	1	4.6	4.9	5.3	5.0	5.0	1,360.20
	2	4.6	5.0	5.3	4.9	4.9	1,417.30
	3	-	-	-	-	-	1,452.60

Source: The Bank of Korea

14. Monetary indicators See graph 9-5

(period average)

(billion won)

Period	Reserve money	M1	M2	Lf
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
2006	41,664.0	330,134.1	1,076,682.4	1,454,858.8
2005 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	1,445,440.3
7	41,973.7	330,267.7	1,082,577.5	1,460,729.4
8	40,287.2	325,958.2	1,084,752.6	1,468,210.0
9	41,500.4	327,648.4	1,098,444.2	1,479,577.9
10	43,199.9	333,597.5	1,110,360.9	1,494,767.6
11	41,507.4	337,666.0	1,123,714.6	1,510,883.0
12	44,876.4	351,588.5	1,138,295.5	1,526,890.0
2007 1	47,851.4	353,494.2	1,143,814.9	1,535,080.1
2	49,493.5	350,703.5	1,154,101.9	1,547,248.7
<i>Y-o-Y change (%)</i>				
2003	6.5	6.9	7.9	8.8
2004	4.2	8.3	4.6	6.1
2005	4.1	8.5	6.9	7.0
2006	7.4	-0.8	8.3	7.9
2005 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	7.7	7.3
7	10.2	-4.7	7.7	7.3
8	4.3	-6.1	7.5	7.4
9	4.1	-5.6	9.0	7.9
10	8.7	-1.9	10.1	8.7
11	5.2	10.0	11.1	9.4
12	11.3	10.4	11.4	9.6
2007 1	15.8	7.9	11.3	9.8
2	18.8	7.4	11.5	9.9

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
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
2006	929.6	955.5	781.8	821.5	1,222.2	1,199.3
2005 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
8	959.6	960.7	820.3	829.7	1,232.3	1,230.6
9	945.2	953.7	802.2	814.3	1,200.6	1,214.9
10	944.2	954.2	803.5	803.2	1,200.8	1,202.4
11	929.9	936.2	799.0	798.0	1,223.0	1,205.3
12	929.6	925.8	781.8	790.2	1,222.2	1,222.8
2007 1	940.9	936.4	773.1	777.9	1,220.1	1,217.0
2	938.3	937.0	793.9	776.8	1,241.9	1,225.1
3	940.3	943.3	797.0	804.8	1,253.9	1,249.4
<i>Y-o-Y change (%)</i>						
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
2006	-8.2	-6.7	-9.1	-11.7	1.9	-5.9
2005 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
8	-6.9	-5.9	-11.4	-10.0	-2.1	-1.9
9	-8.9	-7.4	-12.4	-12.2	-3.8	-3.7
10	-9.5	-8.8	-10.8	-11.8	-4.5	-4.4
11	-10.3	-10.1	-7.7	-9.3	0.3	-1.9
12	-8.2	-9.6	-9.1	-8.5	1.9	0.7
2007 1	-3.1	-5.1	-6.3	-8.9	3.9	1.9
2	-3.2	-3.4	-4.8	-5.5	8.2	5.6
3	-3.7	-3.3	-4.2	-3.2	5.6	6.5

Source: The Bank of Korea

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