QUARTERLY BULLETIN

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Governor's Speech on the 52nd Anniversary of the BOK's Foundation*

Dear friends and colleagues,

Today marks the 52nd anniversary of the Bank of Korea's birth. The Bank of Korea was established on the twelfth day of June, 1950. Only 13 days after its foundation, the fratricidal Korean War broke out and the bank had to be evacuated to Busan. During the war the Bank of Korea on the one hand helped finance the cost of the war through the issue of currency, while on the other hand it played the role of think-tank by bringing together the human resources able to shoulder the task of rebuilding the economy. Once economic development really got underway from the early 1960's, the Bank faced the formidable task of achieving price stability while supporting the supply of funds to industry. The economic development of that era was financed through debt such as foreign loans, rather than domestic savings, and it was directed by government fiat rather than the market mechanism. Growth was constantly given priority over stability.

Under these conditions, the Bank of Korea faithfully carried out its ultimate duty of consistently pursuing the stability of the national economy. It is a never to be forgotten fact that the Bank of Korea contributed greatly through its exertions and suffering in a spirit of self sacrifice over a period of a half-century to the Korean economy's solution to the question of providing the basic necessities of livelihood, and its development to deliver annual per capita income of $10,000 and to become the 13th ranked economic power among the countries of the world.

*This is an edited translation of the speech given by the Governor to the Bank of Korea's staff on June 12, 2002, commemorating the 52nd anniversary of the Bank of Korea.

But having graduated from being a less developed economy and on the threshold of evolving into an advanced economy, Korea was struck by the 1997 financial crisis. The crisis was in part precipitated by the inability to respond adequately to the changes in the growth environment brought about domestically by the move to a high wage society and externally by the shift to an open system. Because of this, numerous firms went bankrupt, setting off a vicious circle of failure as the soundness of financial institutions was in turn eroded.

To overcome this financial crisis we have vigourously pursued financial reform throughout the last four years. Massive amounts of public funds were injected for this purpose into troubled financial institutions. On the other hand though, the internal reform of financing has been boldly pursued. The number of banks has shrunk from 33 to 20, and some 40% of their jobs in the sector have been lost. These financial reforms had generally been accomplished by the end of last year and the Korean economy, which had been deeply subdued for some time, presents all the signs of a lively recovery from this year. The IMF and other international financial institutions now hold Korea up as a model pupil for its success in overcoming the crisis. There is an old saying “after the rain the ground becomes more solid”. In the same way through the wrenching ordeal of the foreign exchange crisis, a foundation for growth has been laid so that our united efforts bear fruit.

Now though we are faced with new tasks. We must now achieve balanced growth on an advanced country model, harmonise the needs of growth, prices and the international balance of payments as the economy advances to a new stage of development. For sustained growth in this direction we must respond appropriately to changes and fluctuations in growth. The Korean people are dynamic and capable of applying themselves diligently over a long period, perhaps more than any other people in the world. It was this characteristic that provided the driving force for the condensed economic growth from the 1960s onwards, and which has been exhibited more recently in the advance into the information technology sector.

This said, it must be admitted that our ability to adapt to change is still sadly wanting. Lack of an ability to respond to change lay at the root of the foreign currency crisis. Fortunately as a result of the far ranging reforms pursued over four years market principles are becoming established throughout every sphere of the economy, and the survival of the fittest has become the watchword. Companies emphasise sound management and seek to hone their competitive edge. In the financial sector the hardware aspect of the reforms such as the clearing off of bad loans has to a large extent been completed , but the software aspects of reform must now be resolutely pursued. By this I mean the cultivation of human expertise, the acquisition of sophisticated financial techniques and the development of a broad range of financial services.

Friends and colleagues,

I would now like to say a few words about the emphases and the direction of monetary policy during the latter half of the year in the light of this perception.

First priority must be given to building the economic recovery upon a secure and solid foundation, and to this end a wide variety of policy measures should be deployed. This year's GDP growth is anticipated to come in at between 6 and 7 per cent, which is considerably higher than the potential growth rate. In the light of previous experience, when there is a rapid expansion of business activity then a number of side effects tend to appear. These include upward pressure on prices, asset price bubbles and a weakening of the current account position. At this stage, there is still sufficient surplus capacity in the economy because of the protracted downturn. But once exports and facilities investment shift to a full-blown recovery phase, supply shortages are liable to make themselves felt. This could lead to demand pull pressures on prices.

Recently shares have entered a correction phase and real estate prices have stabilised. Nevertheless there has been no let up of the rapid expansion of credit to their household sector. The scale of the current account surplus may also shrink with a sharp increase in import demand during the upturn phase of the business cycle.

These inflationary pressures must be countered actively and effectively through the use of interest rate policy. It should be pointed out that in view of the time lags with which changes in interest rates are transmitted to the real economy, preemptive measures will have to be mapped out.

In this context a reexamination is called for of the appropriateness of our existing reserve policy and rediscount policy, which constitute the main instruments of monetary policy. If it is judged necessary to restrain an excessive increase in banks' lending to the household sector and to widen banks' long-term deposit base in order to accommodate an increase in firms' demand for long term funds, we would have to look closely at a partial adjustment of the present reserve system and the Aggregate Credit Ceiling loan system. At the same time we should constantly strengthen the Bank of Korea's capacity to adjust market interest rates by securing the timeliness and adaptability of our open market operations.

But efforts are also being made to heighten the predictive power of market participants. In a situation such as ours where a comparatively high degree of uncertainty surrounds politics, the economy and society, a reduction in the confusion and turmoil of the markets is possible where policy is transmitted accurately. In addition the markets' anticipations and responses should be observed closely and incorporated in the formulation and conduct of policy, so as to maximise its effectiveness and situational appropriateness. To this end we should draw closer to the markets and seize opportunities for dialogue with market participants.

Dear friends and colleagues,

Since taking office, I have stressed on several occasions that the Bank of Korea should be an institution that enjoys the absolute confidence of every citizen and of every company. This is no easy task but if we devote our wholehearted efforts to this end, we surely cannot fail to accomplish it.

In order for the Bank to gain this absolute confidence of the general public, above all it must break free of the influence of government, political parties, or private-sector interest groups , and consider the future of the national economy. Its monetary policy should then be developed from a position of secured neutrality.

But it must be equipped with the capability to carry out policy at a high level. In the first place the bank must move to secure the accuracy of its judgements on the economic situation, the efficiency of its policy instruments, and the timeliness of its policy actions while bringing within its visual horizon not just the domestic economy but also the major currents of the world economy as a whole.

What is more, each and every member of the Bank's staff should cultivate abilities so that they are in no way inferior to those of any domestic institutions or of any central bank worldwide. In every field of study which we enter, we should aim to become the top by persevering with our personal development, adopting a positive and future oriented attitude. As members of the central bank's staff, we should devote ourselves to the nation and society, serving in a spirit of humility. Our lives and actions should be marked by kindness and we should never adopt an attitude of indifference. Not long ago there was a reshuffle of the bank's personnel management. In its human resources management policy, the Bank should secure the twin criteria of effectiveness and equity while rigidly excluding outside influence or the pull of personal connections. We must ensure that these principles are strictly adhered to in future. But there are inevitably many restrictions on personnel promotions, and very often it is not possible to give full recognition to the contribution of individuals. I know, too, that in the most recent round of promotions many people were passed over. I find this very distressing. Those who were passed over last time should take heart and carry out their duties even more diligently so that they do not miss the next opportunity.

I am only too well aware that many staff feel disgruntled because of the acute problem of the Bank's backlog of staff promotions. This is something that we must strive together to solve. Fundamentally, though, problems such as this backlog of staff promotions are bound to occur in a maturing society. Some organisations have made use of their power through what is called *amukudari*, or descent from heaven, but the continuation of such cosmetic solutions and discredited practises in today's difficult modern environment cannot be justified.

Under these conditions, I think that we have to choose between two options.

The first of these is that following efforts for personal development, there is a high market demand for one's skills in the market upon severance. After parting company with the central bank in advanced Western countries, staff are welcome at other places of employment. This is not descent from heaven but meeting the market's demand for high calibre human resources.

Another option is to adjust our sense of values. Although promotion is important, the sense of accomplishment that comes from service to society, self empowerment through personal development, hobbies and leisure time activities, human relations between colleagues, the interlinkages between the home, the workplace and the individual creates many other values that bring about a breadth of vision and a pluralistic sense of values. A pluralistic system of values is needed for the modernisation of society. Having said this, we should remember that efforts by society are needed to extend the retirement age and put the pension system on a secure foundation.

Dear friends and colleagues,

In keeping with today's anniversary of the Bank's establishment, the Bank of Korea Gallery has been opened to display the works of art in the Bank's possession. Together with the Bank of Korea Museum that was opened last year, this is intended to provide a space for the appreciation of works of art of a high order by the general public. All members of staff will understand the importance of this. It is eminently desirable for them to devote themselves to this object. I would like to take this opportunity to express my thanks to all those staff involved who have devoted themselves so deeply to the preparations for the Gallery's opening. Today the attention of the world is focussed on the Korea -Japan FIFA World Cup. The successful hosting of this tournament will help spur on Korea's entry to the category of advanced economies. In addition, let us use it as an opportunity to exhibit the advanced public spirit of our country's citizens before the rest of the world.

Let us now, upon the 52nd anniversary of the Bank of Korea's foundation, dedicate ourselves anew so that it may flourish upon a firm basis of public confidence. I wish good health and great happiness to you and your families.

June 12, 2002

Seung Park
Governor
The Bank of Korea

Current Economic and Financial Movements

Summary

During the first quarter of 2002, the Korean economy sustained its recovery phase, with prices showing stable movements and the current account surplus widening somewhat.

GDP grew by 5.7 per cent in the first quarter year-on-year due to the high rate of increase of consumption and construction investment coupled with the shift of exports and facilities investment to an increase. The year-on-year growth rate of real gross national income (GNI) also soared to 7.5 per cent, boosted by improved terms of trade conditions following a decline in prices of imported products, including crude oil and machinery.

The unemployment rate rose by 0.4 percentage points from the previous quarter to 3.6 per cent in the first quarter mainly owing to an increase in the number of the seasonally unemployed in the agricultural and construction industries. However, the unemployment rate eased to 3.1 per cent again in April as the number of persons employed in the agricultural and construction section increased.

The current account registered a surplus of 1.7 billion dollars in the first quarter, an increase from the previous quarter. This expansion was largely attributable to the widened surplus on the goods account and occurred despite a slight rise in the service account deficit. The current account stayed in surplus during in April.

Consumer prices maintained a continuous downward trend in the first quarter following on from the latter half of last year. In April, however, consumer prices shifted to an increase, affected by a rise in prices of petroleum products and house rents. The year-on-year rate of increase of consumer prices rose to 2.5 per cent in April, accelerated further to 3.0 per cent in May.

As the Bank of Korea maintained its

call rate target during the first quarter at 4.0 per cent, the call rate in the financial market remained at the same level. Long-term market interest rates showed a downward trend until February due to uncertainties over the pace of the economic recovery. In March, however, they shifted to a sharp rise as economic indicators improved.

The call rate, which had stood at 4.0 per cent in April, rose to 4.25 per cent in May as the Bank of Korea raised its call rate target by 25 basis points. On the other hand, long-term market interest rates shifted to a downturn in April owing to the likelihood of a delay in the recovery of the U.S. economy and an improvement in the interplay of demand and supply in the bond market.

Stock prices continued on an upward trend in the first quarter following on from the previous quarter, boosted by expectations of economic recovery and the bullish U.S. stock market. But they fell sharply in mid-April, largely affected by the spread of a mood of caution following their surge over a short period as well as the unstable U.S. stock markets. The Korea Composite Stock Price Index (KOSPI) stood at 796.4 at the end of May, off 11.1 per cent from the end of March.

The Korean won continued to depreciate against the U.S. dollar until mid-April mainly due to the weak yen and the net outflow of foreign stock investment funds in March. Subsequently, the exchange rate dropped sharply owing to the weakness of the U.S. dollar in the international financial markets. The dollar softened to trade at 1,226.3 won at the end of May mainly because of the inflow of foreigners' stock investment funds and the spread of anticipation of the won's further appreciation in the wake of the economic upturn.

The growth rates of M2 and MCT+ accelerated in the first quarter from the previous quarter due to expanded fiscal expenditures and an increase in banks' lending to the private sector, including loans to households and small- and medium-sized companies. The growth rate of M3 for its part posted 12.1 per cent in the first quarter, higher than in the previous quarter as deposits at investment trust companies shifted to an increase. M2 growth dropped during April and May as some funds migrated from bank deposits for the purchase of financial debentures and an increase in monetary absorption by the government sector following the sale of government-held KT(Korea Telecommunication) stocks.

Economic Movements

Economic Growth

During the first quarter of 2002, GDP expanded by 5.7 per cent year-on-year owing to the rapid growth of private consumption and construction investment as well as the shift of exports and facilities investment to an increase. Meanwhile, the growth rate of real GNI rose to 7.5 per cent in the first quarter owing to improved terms of trade conditions, with the pace of decline in the prices of imported goods, including crude oil and machinery, outstripping that of export goods, such as information & telecommunication equipment and semiconductors.

The rate of increase of final consumption expenditures rose to 8.1 per cent due to burgeoning private consumption. Private consumption increased by 8.4 per cent in the first quarter year-on-year as expenditures for durable goods, including passenger cars, air conditioners, and mobile handsets, increased sharply together with a high rate of growth in service-related expenditures.

Fixed investment increased by 6.5 per cent owing to the rapid growth of construction investment and the shift of facilities investment to an increase. Despite a continued decline in investment in general machinery and precision equipment, the trend of facilities investment reversed to record a 3.2 per cent rise, helped by the shift to an increase of investment in electric & electronic equipment, including industrial electricity equipment and telecommunications equipment. Construction investment recorded brisk growth of 10.1 per cent, encouraged by a sharp rise in investment

[Table 1] Growth Rates by Component of Expenditure[1)]

Unit : per cent

	2000	2001p					2002p
		Ⅰ	Ⅱ	Ⅲ	Ⅳ	Year	Ⅰ
G D P	9.3	3.7	2.9	1.9	3.7	3.0	5.7
G N I	3.6	0.5	1.3	-0.1	3.4	1.3	7.5
Final consumption expenditure	6.7	1.2	3.5	4.3	5.6	3.7	8.1
Private consumption	7.9	1.5	4.1	4.8	6.6	4.2	8.4
Government consumption	0.1	-0.7	-0.1	1.0	0.3	0.2	5.5
Gross fixed capital formation	11.4	-4.0	-4.8	-3.1	4.9	-1.7	6.5
Equipment	35.3	-8.4	-11.2	-15.7	-3.1	-9.8	3.2
Construction	-4.1	1.5	1.1	8.2	10.7	5.8	10.1
Exports of goods and services	20.5	9.0	0.7	-4.1	-1.1	1.0	2.1
Imports of goods and services	20.0	0.2	-7.2	-5.5	1.1	-2.8	6.3

Notes : 1) Rates of change compared with the same period of the previous year.
2) p : preliminary.

in residential buildings, including apartment complexes and commercial structures such as shopping districts, which more than offset a drop in construction investment in infrastructure.

Exports of goods and services, in real terms, increased by 2.1 per cent owing to brisk exports of semiconductors, communications equipment, and automobiles. Meanwhile, imports of goods and services, in real terms, soared by 6.3 per cent due to a rise in consumer goods as well as a hefty rise in the number of Koreans traveling abroad.

Breaking down economic activity by sector, the construction, electricity, gas and piped water services, and agricultural and fishery industries posted high growth rates. That of manufacturing also rose slightly from the previous quarter.

The construction industry grew by 8.9 per cent, a similar level to the previous quarter as building construction in the private sector, led by residential structures, such as apartment units, showed strong growth.

Despite a reduction in gas and water infrastructure projects, the growth rate of the electricity, gas and water industry climbed to 7.7 per cent, boosted by a sharp rise in the consumption of electric power in the production and service sectors.

The growth rate of the service industry widened from 4.7 per cent in the previous quarter to 7.6 per cent. Driven by favorable performance in private tutoring institutes, medical health, movie and entertainment service businesses, the social and personal service industry expanded by 11.6 per cent.

The growth rate of the transportation, storage, and communication industry went up to 8.6 per cent, boosted by a speedier rate of increase in the transportation business, following an expansion of the quantity of goods transported and steady growth in the communication business in the wake of increased use of mobile communications.

Mainly owing to an increase in commission income at securities companies and the favorable real estate brokerage business, the growth rate of the financing, insurance, real estate, and business service sector rose sharply from the previous quarter's 5.5 per cent to 9.2 per cent.

Despite the sluggishness of the lodging business, the wholesale & retail, restaurant, and hotel industries expanded by 5.8 per cent, similar to the previous quarter's growth, thanks to brisk transactions involving consumer goods for domestic consumption, construction materials, and imported products.

The agriculture, forestry, and fishing industry registered high growth of 7.2 per cent due to handsome growth in the livestock sector, encompassing beef cattle, poultry farming, and pig raising, following expanded meat consumption which offset the slackness of cultivation cen-

[Table 2] Growth Rates by Sector of Economic Activity[1)]

Unit : per cent

	2000	2001p					2002p
		Ⅰ	Ⅱ	Ⅲ	Ⅳ	Year	Ⅰ
Agriculture, Forestry & Fishing	2.0	-4.1	3.5	1.3	1.5	1.4	7.2
Manufacturing	15.9	4.5	2.2	-1.7	2.1	1.7	3.5
Electricity, Gas & Water	14.0	7.5	4.7	4.3	6.0	5.7	7.7
Construction	-3.1	2.4	1.5	7.6	9.5	5.6	8.9
Services	9.5	3.9	4.0	3.8	4.7	4.1	7.6
(Wholesale and retail trade, restaurants and hotels)	9.8	3.4	3.8	3.8	5.1	4.0	5.8
(Transport, storage and communication)	17.9	8.2	6.8	7.7	6.8	7.3	8.6
(Finance, insurance, real estate and business services)	4.9	4.4	4.2	4.2	5.5	4.6	9.2
(Community, social and personal services)	5.1	3.9	5.8	10.0	9.8	7.3	11.6
Government & Private Non-Profit Services	0.3	1.2	1.0	0.8	0.6	0.9	1.0

Notes : 1) Rates of change compared with the same period of the previous year.
2) p : preliminary.

tered on vegetables.

In the meantime, the growth rate of the manufacturing industry edged up from the previous quarter's 2.1 per cent to 3.5 per cent, owing to a rise in the production of semiconductors, communication equipment, automobiles, and non-metallic mineral.

Employment and Wages

The employment situation in the first quarter worsened somewhat due to seasonal factors. The number of persons unemployed rose by about 70,000 from the previous quarter to 800,000. The unemployment rate also climbed by 0.4 percentage point to 3.6 per cent. This was attributable to a sharp drop in the number of persons employed in the construction and agriculture, forestry, fishery sectors with the onset of fallow season and cold weather.

However, the seasonally adjusted unemployment rate dropped by 0.4 percentage point from the previous quarter to 3.0 per cent. In April, the non adjusted rate fell by 0.5 percentage point from the first quarter to 3.1 per cent due to a sharp rise in the number of persons employed in the construction and agriculture, forestry, fishery sectors, affected by such seasonal factors as the advent of the busy farming season.

[Table 3] **Employment[1] Trends**

Unit : million persons, per cent

	2000		2001					2002	
	IV	Year	I	II	III	IV	Year	I	Apr.
Economically active population[2]	22.1	22.0	21.4	22.5	22.4	22.4	22.1	22.0	22.8
	(0.5)	(1.5)	(0.1)	(1.6)	(1.0)	(1.4)	(1.1)	(2.7)	(1.9)
Total number of persons in employment[2]	21.3	21.1	20.4	21.7	21.7	21.7	21.4	21.2	22.1
	(1.5)	(3.8)	(0.4)	(1.9)	(1.4)	(1.9)	(1.4)	(4.0)	(1.9)
(Agriculture, forestry, and fishing)	2.2	2.3	1.7	2.4	2.4	2.2	2.2	1.8	2.2
(Manufacturing)	4.3	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2
(Construction)	1.7	1.6	1.4	1.6	1.6	1.7	1.6	1.6	1.7
(Wholesale, retail, restaurants, and hotels)	6.0	5.9	5.7	5.8	5.9	5.9	5.8	5.9	5.9
(Business, personal, and community services)	5.0	4.9	5.2	5.5	5.5	5.5	5.4	5.7	5.8
Unemployed persons	0.8	0.9	1.0	0.8	0.7	0.7	0.8	0.8	0.8
Unemployment rate	3.7	4.1	4.8	3.5	3.3	3.2	3.7	3.6	3.1
(Seasonally adjusted)	(3.9)	-	(4.1)	(3.7)	(3.6)	(3.4)	-	(3.0)	(3.1)

Notes : 1) Actual figures.
2) Figures in parentheses refer to rates of change on a year-on-year basis.

Per capita nominal wages rose by 7.7 per cent year-on-year during the first two months, up from the previous quarter. Broken down by type of remuneration, the rate of increase of regular payments accelerated significantly, whereas the scale of the decline in the rate of overtime payments expanded sharply and the growth rate of special cash payments slowed down.

[Table 4] **Rates of Increase[1] of Nominal Wages**

Unit : per cent

	2000		2001					2002
	IV	Year	I	II	III	IV	Year	Jan.~Feb.
Nominal wages per worker	5.9	8.0	8.5	4.6	4.6	5.2	5.6	7.7
(Regular Payment)	7.2	7.3	7.7	6.8	5.7	6.0	6.5	12.1
(Overtime Payment)	10.0	13.7	7.5	-1.7	-3.2	-0.2	0.3	-9.6
(Special Cash Payment)	1.0	8.1	11.5	-0.2	4.4	4.6	5.0	1.4
(Manufacturing)	5.5	8.5	11.2	5.5	4.6	4.7	6.3	5.5
(Construction)	9.1	8.8	-2.1	4.6	-0.4	-2.3	-0.3	15.3
(Transport, storage, communications)	9.6	12.4	2.9	-0.2	1.9	2.9	1.8	3.7
(Electricity, gas & water)	0.8	7.0	19.9	13.0	5.2	23.8	15.5	-4.1
(Finance, insurance and real estate)	2.2	6.5	7.2	3.9	5.7	6.1	5.7	9.1

Note : 1) Compared with the same period of the previous year.

By industry, wages in construction shifted to a sharp rise, and the rates of increase of wages in the manufacturing; transportation, storage and communication; financing, insurance and real estate sectors accelerated.

External Transactions

Exports during the first quarter of 2002 amounted to 35.7 billion dollars, down by 11.0 per cent from the same period of the previous year, but the declining pace slowed down from the previous quarter (-19.6%).

Broken down by commodity group, the rate of decrease of exports of the heavy industrial & chemical products slackened markedly as exports of information & telecommunication equipment and passenger cars shifted to an increase and the declining pace of semiconductor exports eased remarkably thanks to a hike in semiconductor prices,

[Table 5] Exports by Sector and Destination[1)]

(Customs-clearance Basis)

Unit : billion US dollars

	Share[2)]	2001						2002		
		Year	Ⅰ	Jan.~Apr.	Ⅱ	Ⅲ	Ⅳ	Ⅰ	Apr.	Jan.~Apr.
Exports	<100.0>	150.4	40.1	52.2	38.4	35.6	36.3	35.7	13.2	48.9
		(-12.7)	(2.2)	(-1.0)	(-11.6)	(-19.8)	(-19.6)	(-11.0)	(8.9)	(-6.4)
Heavy industrial & chemical products	<74.1>	111.5	30.1	38.9	27.9	25.9	27.6	27.9	10.1	38.0
		(-12.6)	(3.7)	(0.0)	(-12.3)	(-21.3)	(-18.7)	(-7.4)	(14.8)	(-2.4)
Semiconductors	<9.5>	(-45.2)	(-10.3)	(-16.2)	(-43.0)	(-63.9)	(-54.5)	(-23.6)	(7.7)	(-17.1)
Information & communication equipment	<14.6>	(-6.2)	(-3.3)	(-5.8)	(-9.2)	(-9.7)	(-2.9)	(10.7)	(36.2)	(16.3)
Passenger cars	<7.6>	(3.1)	(1.9)	(5.1)	(18.5)	(4.4)	(-8.3)	(15.3)	(28.9)	(18.8)
Iron & steel products	<6.7>	(-11.7)	(-3.1)	(-4.9)	(-14.3)	(-13.1)	(-16.1)	(-17.3)	(-4.6)	(-14.2)
Chemical products	<7.2>	(-10.9)	(0.6)	(-1.3)	(-11.7)	(-12.2)	(-19.4)	(-8.0)	(8.4)	(-4.1)
Ship building	<6.4>	(17.9)	(76.2)	(47.0)	(17.1)	(3.9)	(-12.7)	(-27.7)	(9.9)	(-21.6)
Light industrial products	<17.5>	26.3	6.5	8.8	7.1	6.7	6.0	5.5	2.2	7.7
		(-13.1)	(-6.2)	(-7.6)	(-14.2)	(-13.2)	(-18.2)	(-16.2)	(-3.6)	(-12.9)
Textiles	<4.7>	(-17.7)	(-9.3)	(-10.6)	(-16.8)	(-18.4)	(-25.9)	(-19.3)	(-7.2)	(-16.0)
Clothing	<2.9>	(-14.4)	(-14.8)	(-15.9)	(-15.4)	(-9.0)	(-19.7)	(-12.8)	(-9.1)	(-11.9)
(US)	<20.7>	(-17.0)	(-0.6)	(-3.0)	(-16.2)	(-21.7)	(-26.0)	(-6.8)	(13.5)	(-2.1)
(Japan)	<11.0>	(-19.4)	(-1.1)	(-4.2)	(-13.4)	(-28.9)	(-31.8)	(-30.8)	(-13.0)	(-26.8)
(EU)	<13.0>	(-16.2)	(3.5)	(-0.2)	(-16.4)	(-18.2)	(-29.9)	(-10.6)	(13.6)	(-5.2)
(Southeast Asia)	<21.1>	(-18.3)	(-9.5)	(-11.4)	(-17.5)	(-26.2)	(-19.3)	(-3.4)	(13.6)	(0.7)
(China)	<12.1>	(-1.4)	(10.5)	(11.1)	(2.6)	(-7.1)	(-9.1)	(5.0)	(20.9)	(9.1)
(Central & South America)	<6.5>	(3.8)	(29.8)	(16.4)	(9.5)	(-16.0)	(-6.3)	(-30.8)	(1.9)	(-24.0)

Notes : 1) Figures in parentheses refer to rates of increase compared with the same period of the previous year(%).
2) Based on the year 2001.

despite sluggish exports of the steel and shipbuilding sectors.

However, exports of light industrial products showed a continuous decrease following on from the previous quarter owing to inactive exports of major items, including textiles and clothing. By export-destination, exports to China, led by those of information & telecommunication equipment and chemical goods, shifted to an increase. The declining pace of exports to the United States, the EU, and Southeast Asia slowed down, but exports to Japan and Central & South America dropped by a large margin.

In April, exports increased by 8.9 per cent year-on-year to 13.2 billion dollars, breaking free of the downward trend since March 2001. By item, IT-related products, including semiconductors, information & telecommunication equipment, passenger cars, chemical goods, and shipbuilding led the rapid recovery.

During the first quarter, imports fell by 11.6 per cent year-on-year to 33.7 billion dollars, showing a somewhat slow rate of decrease than the previous quarter fall of 17.1 per cent. By item, as imports of steel goods shifted to an increase, the scale of the decrease of imports of raw materials narrowed from the previous quarter counteracting the effect of a sharp fall in imports of crude oil. Imports of capital

[Table 6] **Imports by Sector and Use**[1]

(Customs-clearance Basis)

Unit : billion US dollars

	Share[2]	2001						2002		
		Year	I	Jan.~Apr.	II	III	IV	I	Apr.	Jan.~Apr.
Imports	<100.0>	141.1	38.1	49.3	34.5	34.2	34.3	33.7	12.5	46.2
		(-12.1)	(-1.8)	(-5.5)	(-13.4)	(-15.5)	(-17.1)	(-11.6)	(11.8)	(-6.3)
Consumer goods	<11.8>	16.6	3.8	5.1	4.0	4.2	4.6	4.4	1.7	6.1
		(3.5)	(5.7)	(5.4)	(-2.5)	(1.7)	(9.0)	(17.5)	(23.6)	(19.1)
Raw materials	<51.0>	71.9	19.8	25.5	18.0	17.4	16.8	17.0	6.1	23.0
		(-8.9)	(1.3)	(-2.0)	(-5.4)	(-10.3)	(-20.3)	(-14.2)	(6.4)	(-9.6)
Crude oil	<15.1>	(-15.3)	(3.5)	(-1.6)	(-1.9)	(-18.1)	(-39.1)	(-32.4)	(-11.7)	(-28.1)
Iron & steel products	<3.6>	(-16.3)	(-24.8)	(-25.0)	(-19.0)	(-16.0)	(-3.6)	(13.0)	(22.6)	(15.5)
Chemical products	<8.0>	(-4.8)	(1.3)	(0.4)	(-3.6)	(-6.5)	(-9.8)	(-5.3)	(5.1)	(-2.7)
Capital goods	<37.2>	52.5	14.6	18.7	12.5	12.5	13.0	12.3	4.8	17.1
		(-19.7)	(-7.5)	(-12.2)	(-25.1)	(-25.7)	(-19.8)	(-15.7)	(15.5)	(-8.7)
Electric & electronics products	<24.0>	(-21.8)	(-9.3)	(-13.0)	(-24.1)	(-29.4)	(-23.6)	(-15.2)	(7.2)	(-10.1)
Machinery	<7.6>	(-18.2)	(0.8)	(-9.6)	(-30.8)	(-26.1)	(-14.3)	(-24.0)	(30.9)	(-13.0)
For domestic demand	<57.0>	(-8.9)	(-0.3)	(-4.6)	(-13.5)	(-11.0)	(-10.3)	(-5.8)	(17.7)	(-0.4)
For export	<43.0>	(-16.0)	(-3.7)	(-6.6)	(-13.1)	(-20.8)	(-25.0)	(-19.1)	(4.1)	(-13.9)

Notes : 1) Figures in parentheses refer to rates of increase compared with the same period of the previous year(%).
2) Based on the year 2001.

goods, centering on electric and electronics equipment, also saw their rate of decrease pace slow down slightly. Meanwhile, the growth rate of imports of consumer goods accelerated, headed by clothing, electronic home appliances, and agricultural and fishery products.

Imports in April rose by 11.8 per cent year-on-year to 12.5 billion dollars, breaking free from the protracted decline. By item, imports of consumer goods, including clothing, livestock products, and electric home appliances, maintained a high growth rate. Those of raw materials, led by chemical goods and steel products, and of capital goods, headed by machinery and semiconductors, shifted to an increase.

The surplus on the goods account (balance of payments basis) expanded to 3.3 billion dollars during the first quarter from the previous quarter's 2.2 billion dollars. On the other hand, the deficit on the service account widened slightly from the previous quarter.

As a result, the surplus on the current account increased slightly from the previous quarter to 1.7 billion dollars. However, the current account in April was in equilibrium as the growth rate of imports exceeded that of exports and the external payment of dividends increased.

Prices

Consumer prices maintained downwardly stable movements through the first quarter following on from the latter half of the preceding year. But they shifted to an increase in April. During the first quarter, consumer prices rose by 1.6 per cent compared with the last month of the previous quarter, driven upward by a rise in prices of agricultural products due to seasonal factors, the increased prices of petroleum products following the hike of international oil prices, as well as the continuous rise in housing rents. As the scale of their increase was narrower than usual, however, the year-on-year rate of increase slowed to a level of around 2.5 per cent. From April, prices of petroleum products and housing rents continued to rise, and prices of agricultural goods, led

[Table 7] Balance of Payments: Current Account

Unit : billion US dollars

	2001						2002		
	Year	Ⅰ	Jan.~Apr.	Ⅱ	Ⅲ	Ⅳ	Ⅰ	Apr.	Jan.~Apr.
Current account	8.6	2.8	3.4	3.8	1.0	1.1	1.7	0.0	1.7
Goods	13.4	3.3	4.6	5.0	2.9	2.2	3.3	1.2	4.4
Services	-3.5	-0.2	-0.3	-0.6	-1.4	-1.2	-1.4	-0.4	-1.8
Income	-0.9	-0.4	-1.0	-0.5	-0.1	0.2	0.0	-0.7	-0.8
Current transfers	-0.4	0.1	0.1	-0.1	-0.3	0.0	-0.1	0.0	-0.1

by those of fruit and vegetables, maintained an upward trend. Accordingly, the year-on-year rate of increase accelerated to 2.5 per cent in April and further to 3.0 per cent in May.

Viewing the trend of consumer prices by sector since the first quarter of this year in comparison to the last month of the previous quarter, prices of agricultural, livestock, and marine products showed a high rate of increase during January and February due to seasonal factors, including supply shortages during the winter season and the spike of demand for the Lunar New Year holidays. The scale of their rise, however, was narrower than usual. Prices of agricultural, livestock, and marine products showed a downward trend briefly in March owing to the expanded supply of vegetables. But they marked a sharp rise again in both April and May due to sluggish shipments of fruit and vegetables following frequent storms of yellow dust and heavy rainfall. Industrial product prices, which had marked a downward trend in the latter half of the previous year, shifted upward early this year, helped by increased prices for petroleum products in the wake of higher international oil prices. This upward trend was sustained until May. Mainly owing to the cut in some public service charges, including those for piped natural gas and mobile phone use, service prices dropped temporarily in February. But overall service prices maintained a rising trend this year due to the continued rise in housing rents and personal service charges.

Led by housing rents and personal service charges, core inflation, which stripped out non-cereal agricultural products and petroleum fractions from the CPI, kept on an upward trend during the first quarter compared with the last month of the previous quarter. But the

[Table 8] Rates of Increase of Consumer Prices[1]

Unit : per cent

	2000	2001					2002			
	Year	Ⅰ	Ⅱ	Ⅲ	Ⅳ	Year	Ⅰ	Mar.	Apr.	May
Consumer Prices	2.8	2.5	0.6	0.5	-0.4	3.2	1.6	0.6	0.6	0.4
	(2.3)	(3.6)	(5.0)	(4.2)	(3.4)	(4.1)	(2.5)	(2.3)	(2.5)	(3.0)
Agricultural, livestock, and marine products	-2.3	9.4	0.2	3.6	-3.5	9.5	5.7	-1.4	0.7	1.2
Industrial products	2.4	0.6	0.6	-0.3	-0.9	0.0	1.1	0.1	1.0	0.4
Services	4.3	2.3	0.8	0.3	0.7	4.0	1.0	1.1	0.3	0.3
Core inflation[2]	2.9	1.8	0.7	0.5	0.6	3.6	1.2	0.7	0.3	0.3
	(1.9)	(3.3)	(3.9)	(3.7)	(3.6)	(3.6)	(2.9)	(3.0)	(3.0)	(3.0)

Notes : 1) Comparison is with the last month of the preceding period. Figures in parentheses refer to rates of increase over the corresponding period of previous year.
2) The CPI after stripping out prices of petroleum fractions and agricultural products except cereals.

scale of the rise was smaller than in most years. Accordingly, year-on-year core inflation stood at the 3.0 per cent level, substantially below that in the latter half of the previous year.

Producer prices, which had been on a decline since the latter half of the previous year, rose by 1.7 per cent during the first quarter of this year compared with the last month of the previous quarter, affected by the won's depreciation, the increased prices of some raw materials, and the reduced supplies of some agricultural products as a result of seasonal factors. However, their year-on-year rate of increase was negative by a small margin thanks to a fall in producer prices in the latter half of the previous year. From April, however, their year-on-year rate of increase shifted to an upturn as prices of petrochemical products continued to rise following a hike in international oil prices and prices of agricultural, forest, and marine products soared owing to poor production amid unfavorable weather conditions.

Viewing the trend of producer prices by sector from the first quarter of this year compared with the last month of the previous quarter, those of agricultural, forest, and marine products rose sharply in the first quarter due to seasonal factors, including supply shortages during the winter season and the spike of demand for the Lunar New Year holidays. These prices dropped temporarily in April, affected by an increase in shipments of vegetables, but rose again in May due to inactive shipments of vegetables and fruit following adverse unfavorable weather conditions. Manufacturing industry product prices climbed during the first quarter owing to the depreciation of the won against the dollar, a hike in prices of some imported raw materials, including crude oil and wool, and higher

[Table 9] **Rates of Increase of Producer Prices[1)]**

Unit : per cent

	2000	2001					2002			
	Year	Ⅰ	Ⅱ	Ⅲ	Ⅳ	Year	Ⅰ	Mar.	Apr.	May
Producer Prices	1.7	1.1	0.2	-0.5	-1.4	-0.7	1.7	0.6	1.0	0.7
	(2.0)	(2.5)	(3.1)	(2.0)	(0.0)	(1.9)	(-0.2)	(0.0)	(0.7)	(1.5)
Agricultural, forest and marine products	-7.9	9.7	0.4	-3.1	-0.7	6.1	5.9	0.8	-1.2	5.4
Manufacturing industry products	2.2	0.2	0.2	-0.7	-2.1	-2.3	1.7	0.7	1.2	0.6
Electric power, water, and gas supply	7.9	2.6	1.1	0.0	-0.3	3.5	-2.7	0.1	0.0	0.0
Services	2.0	1.0	-0.2	0.6	0.2	1.6	1.4	0.2	0.8	0.3

Note : 1) Comparison is with the last month of the preceding period. Figures in parentheses refer to rates of increase over the corresponding period of previous year.

international prices of petrochemical products and reinforcing bars. They continued to rise in both April and May, headed by those of petrochemical products. Service prices, which had shown stable movements during the fourth quarter of the previous year, rose sharply during the first quarter owing to a rise in construction-related service charges and higher office rental charges. In both April and May, their rising trend continued, centering on service charges in the transportation and communication sector, including railroad fares, express and cross-country bus fares, expressway tolls, and public phone charges.

Export prices, which had shown a downward trend from the second quarter of the previous year, shifted to an upturn this year. During the first quarter, they increased by 4.1 per cent compared with the last month of the previous quarter owing to the higher prices of major raw materials, including crude oil, and the depreciation of the won, as well as a rise in prices of key export goods, including semiconductors and steel, amid growing signs of a recovery of the world economy. In April, the upward trend continued due to a rise in prices of petrochemical and steel products.

Import prices, which had been on a decline since the preceding third quarter, also shifted to an upturn this year. During the first quarter, import prices posted a high rise of 7.3 per cent compared with the last month of the previous quarter, affected by the won's depreciation and the hike in prices of basic raw materials, including crude oil, steel, and nonferrous metals, and intermediate goods, such as petrochemical products. Despite a slight fall in prices of capital goods in April in the wake of the won's appreciation, the upward trend continued owing to a rise in prices of major raw materials, including those of crude oil, natural rubber, pulp, and scrap iron, as well as hikes in prices of consumer goods, including petroleum fractions.

Meanwhile, the upward trend of real estate prices, such as housing prices and housing rents, accelerated during the first quarter, centering especially on Seoul, Seoul metropolitan area, and some large cities, reflecting the burgeoning seasonal

[Table 10] Rates of Increase of Export and Import Prices[1]

Unit : per cent

	2000	2001					2002			
	Year	Ⅰ	Ⅱ	Ⅲ	Ⅳ	Year	Ⅰ	Feb.	Mar.	Apr.
Export prices	4.2	4.2	-1.5	-1.4	-4.2	-3.1	4.1	0.3	1.9	0.5
Import prices	5.3	4.4	0.4	-3.0	-7.6	-6.2	7.3	1.0	4.4	2.0

Note : 1) Comparison is with the last month of the preceding period.

[Table 11] Rates of Increase of Real Estate Prices[1)]

Unit : per cent

	2000	2001					2002			
	Year	Ⅰ	Ⅱ	Ⅲ	Ⅳ	Year	Ⅰ	Feb.	Mar.	Apr.
Housing prices	0.4	0.8	2.2	4.8	1.7	9.9	7.6	2.5	1.0	0.6
(Apartments in Seoul)	4.2	2.2	4.8	8.6	2.6	19.3	15.0	4.4	0.9	0.5
Housing rents	11.1	4.9	3.2	6.4	1.1	16.4	7.3	2.8	1.3	0.3
(Apartments in Seoul)	12.1	6.8	5.2	9.7	0.1	23.4	11.2	4.2	1.9	-0.1
Land prices	0.7	0.1	0.4	0.3	0.5	1.3	1.8	-	-	-

Note : 1) Comparison is with the end of the preceding period.

demand in spring. Land prices, which had held relatively stable during the previous year, showed a rise in Seoul and Seoul metropolitan area, affected by a rise in housing prices and the lifting of restrictions on development in the green belts. However, the upward pace of housing prices and housing rents slowed down markedly with the close of the season favored for moving house and a series of government measures to stabilize real estate prices. In May, when few people wish to move house, the rising pace abated further.

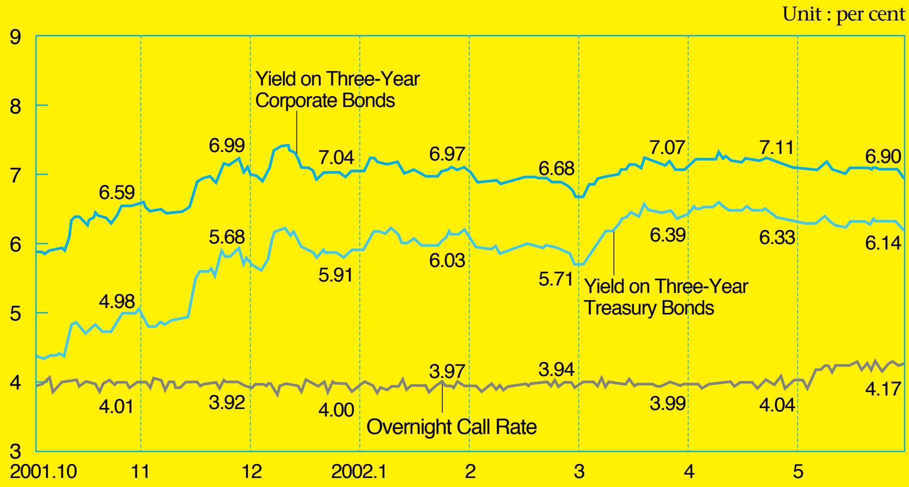
Financial Developments

Financial Markets

During the first quarter of 2002, the overnight call rate showed stable movements at around the 4.0 per cent level at which the Bank of Korea maintained its call rate target. However, yields on Treasury bonds and corporate bonds, which had maintained an upward trend since the previous October, showed a stable downward trend early this year due to uncertainties surrounding the pace of economic recovery and prospects for an improvement in the demand and supply conjuncture in the bond market. In early March, their yields shifted upward on the improved showing of economic indicators both at home and abroad. Accordingly, yields on Treasury bonds (three-year maturity) and corporate bonds (AA-grade, three-year maturity) edged up from 5.91 per cent and 7.04 per cent respectively at the end of last year to 6.39 per cent and 7.07 per cent.

The overnight call rate in April hovered around 4.0 per cent, the call rate target set by the Bank of Korea. This target was, however, raised slightly to 4.25 per cent in May in order to preempt possible excessive liquidity and call market rates edged up correspondingly. In contrast, yields on Treasury and corporate bonds showed a downward trend mainly owing

[Chart 1] **Market Interest Rates Movements**



to the protracted bearishness of the stock market, the apprehension that the recovery of the U.S. economy might be delayed, and an improved interplay of demand and supply situation in the bond market. They slid to 6.14 per cent and 6.90 per cent, respectively, as of the end of May.

The Korean composite stock price index (KOSPI) continued its upward trend early this year owing to expanded buying of stocks by foreign investors, but it experienced a series of sharp ups and downs from mid-January according to a correction phase following the surge of stock prices during a short-term period and the trend of U.S. stock price movements. After the Lunar New Year holidays, however, it returned to an upward trend, boosted by the impending settlement of the negotiations for the sale of Hynix Semiconductor, and the bullish U.S. stock markets. Accordingly, KOSPI soared by about 30 per cent from 693.70 points at the end of the previous year to 895.58 points at the end of March. The KOSDAQ index showed similar movements, posting 92.73 points at the end of March, up from 72.21 points from the end of the previous year.

In April, the KOSPI registered a peak for the year so far of 937.61 points on April 18, but after that it plunged sharply owing to the spread of a mood of caution following the rapid rise of stock prices within a brief period and the unease of the U.S. stock markets. With the beginning of May, it rebounded briefly, before resuming its downward trend. Consequently, the KOSPI and the KOSDAQ index fell to 796.40 points and 69.78 points, respectively, at the end of May.

The Korean won, which had appreciated against the U.S. dollar in early March due to the strengthening of the yen, shifted to a depreciating trend as the Japanese yen weakened in mid-March and foreign stock investment funds posted a net outflow from the foreign exchange market. The won softened to 1,332.0 won per dollar, its lowest exchange value for the year so far in mid-April.

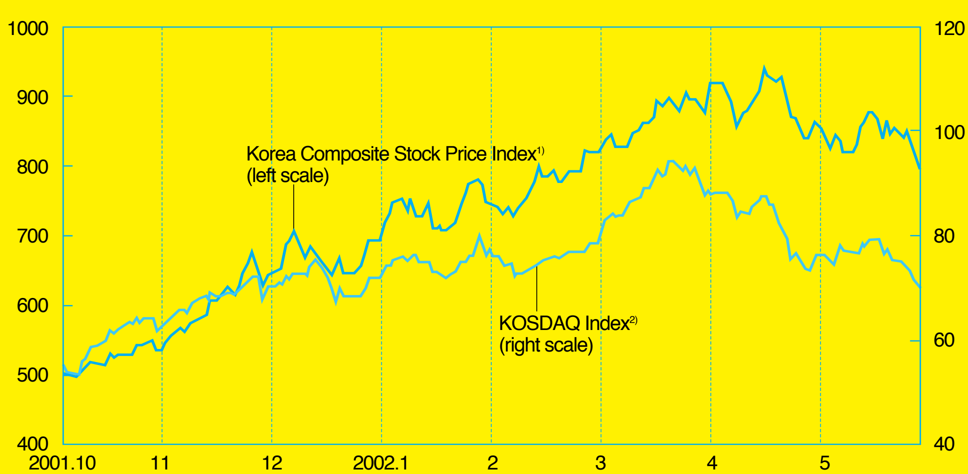
However, the Korean won subsequently appreciated sharply against the U.S. dollar, closing May at 1226.3 won per U.S. dollar, thanks to the weakening of the greenback dollar against major currencies in international financial markets from mid-April, the expansion of foreign currency supply with an inflow of foreign stock investment funds in May and expectations of the won's further appreciation on the recovery of the Korean domestic economy.

Meanwhile, the Korean won weakened steeply against the Japanese yen in early March, trading at 1,027 won per 100 yen, affected by the strengthening of the yen in international financial markets. From mid-March, however, the won regained some of its lost ground due to the shift of the yen to a depreciation, posting a rate of 998.0 won per 100 yen.

As the U.S. dollar weakened against major currencies in international financial markets in April and the appreciation of the yen against thd dollar outpaced that of the won, the Korean currency depreciated slightly, posting 1,008.31 won per 100 yen at the end of April.

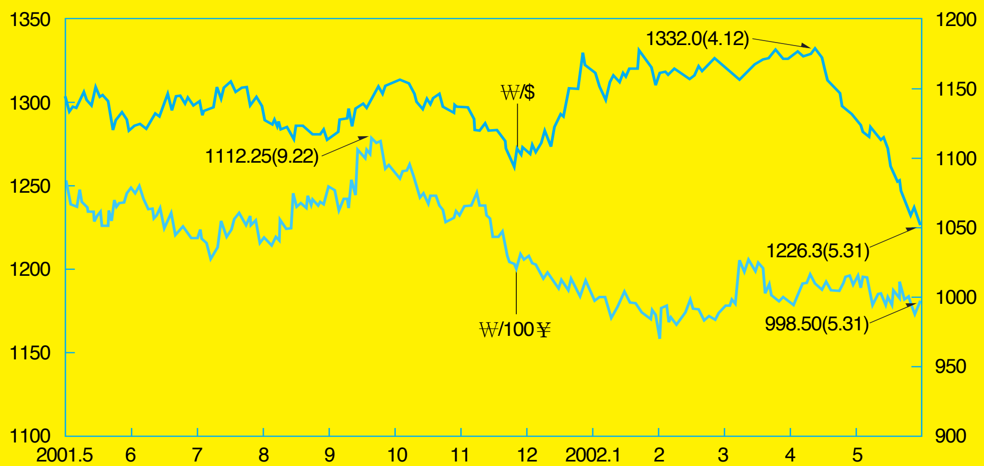
In May, as the strengthening of the won against the U.S. dollar was greater than that of the yen, the won again appreciated slightly in yen terms to register 998.50 won per 100 yen at the end of

[Chart 2] Stock Price Movements



Notes : 1) 4 Jan. 1980 = 100
2) 1 July 1996 = 100

[Chart 3] Exchanger Rate Trends of the Korean Won



Note : The won/dollar exchange rate is based on the market closing rate, and the won/100 yen exchange rate is based on the cross rate notified by the Korea Financial Telecommunications and Clearings Institute.

the month.

The growth of banks' deposit taking accelerated greatly during the first quarter of this year as short-term deposits surged amid the expanded supply of liquidity through the government and private sectors credit. However, deposit-taking by banks' trust accounts fell sharply as the downward trend of placements in New Pension Trusts deepened on expectations of lower yields on the operation of these assets and the withdrawal of funds from maturing Tax-Free Household Trusts continued. On the other hand, deposit-taking by investment trust companies shifted to a sharp rise as deposits in MMFs surged with the return of funds, which had been shifted out of these products at the year-end, and brisk sales of stock beneficial certificates on the back of the bullish stock market. Deposit-taking by merchant banking corporations also increased, affected by the return of funds that had been temporarily withdrawn for the year-end closing and the movement of short-term operational funds at financial institutions into bills issued and CMAs.

During April and May, deposits at banks increased owing to the continuous supply of private sector credit which offset the liquidity absorption by the government sector, including the payment of corporate and value added taxes. The pace of the decrease in deposit-taking by banks' trust accounts, however, slowed down remarkably with a sharp reduction in the retirement of funds from maturing New Pension Trusts and Tax-Free Household Trusts and the brisk sale of Specified Money Trusts, led by those whose funds are assigned to CP. Deposit-taking by

[Table 12] Growth of Deposits at Financial Institutions

(Change during the period)

Unit : billion won

	2001				2002					
	Ⅰ	Ⅱ	Ⅲ	Ⅳ	Ⅰ	Jan.	Feb.	Mar.	Apr.	May
Deposit money banks[1]	5,477	21,893	25,725	4,611	29,005	2,836	12,526	13,643	-1,244	6,577
Money-in-trust	3,506	-2,752	-424	2,465	-5,299	-1,623	-2,590	-1,086	-173	-225
Investment trust companies	17,866	-8,838	26,029	-21,187	15,046	4,001	6,508	4,537	-4,018	3,645
Merchant banking corporations	-581	-42	43	-1,091	1,956	898	494	564	-329	-150

Note : 1) Bank deposits + CD + RP + Cover bills.

investment trust companies decreased as the inflow of funds to stock-linked products was inactive owing to a continued stock price correction phase as well as seasonal factors, such as tax payments. That by merchant banking corporations meanwhile suffered a reduction affected by the massive withdrawal of corporate funds for the payment of taxes.

Monetary Aggregates

During the first quarter of 2002, the growth rates of M2 and MCT+ accelerated to 14.6 per cent and 13.7 per cent, respectively. This mainly reflected expanded fiscal spending and a sharp rise in private sector credit through bank loans, such as the continuous growth of loans to households and small and medium enterprises, whose effects more than offset the monetary absorption by the government sector, which expanded sharply owing to increased collections of value added tax. The growth rate of M3 also rose by 12.1 per cent as liquidity supply through banks increased and deposit-taking by investment trust companies shifted to a rise. The growth rate of reserve money rose to 15.0 per cent, in response to a surge in currency in circulation in order to meet the demand for

[Table 13] Monetary Aggregate[1] Trends

(On the basis of average figures)

Unit : per cent

	2001				2002					
	Ⅰ	Ⅱ	Ⅲ	Ⅳ	Ⅰ	Jan.	Feb.	Mar.	Apr.	May
M3	8.2	8.3	10.3	11.5	12.1	11.6	11.9	12.9	-	-
M2	21.4	15.3	12.9	13.7	14.6	12.6	14.9	16.1	15.7	14.5
MCT+	13.5	11.2	12.3	13.6	13.7	12.3	13.9	14.8	15.4	14.6
Reserve money[2]	11.7	10.6	8.87	14.6	15.0	7.1	20.3	17.6	17.0	17.8
	(28,703)	(28,227)	(29,215)	(31,147)	(32,966)	(32,037)	(33,980)	(32,880)	(33,120)	(33,343)

Notes : 1) Percentage changes compared with the same period of the previous year.
2) Figures in parentheses indicate daily averages during the period(billion won).

cash on the occasion of the Lunar New Year holidays.

During April and May, M2 growth slipped as funds migrated from bank deposits to the market for the purchase of financial debentures while the monetary absorption by the government sector soared owing to the increased tax revenues, including those from composite income tax, and to sales of government-held stocks in Korea Telecom.

Corporate Finance

Bank lending during the first quarter increased sharply due to the lending of funds gathered from the redemption of borrowings by large companies at the year-end, a sharp rise in loans to small and medium enterprises, which needed short-term working capital to meet payments of value added tax, the rising demand for funds on the occasion of the Lunar New Year holidays, and the economic recovery. The net issuance of CP also shifted to a rise mainly owing to the re-issuance of paper, which had been retired briefly at the year-end, as well as to the increasing appetite for it on the part of investment trust companies in the wake of their brisk sales of MMFs. The scale of the net redemption of corporate bonds meanwhile dwindled as the volume of maturing issues fell and institutional investors' appetite for them rose owing to the easing of worries over possible corporate credit risk.

During April and May, bank lending maintained a continuous upward trend as loans to small and medium enterprises increased owing to the rising demand for short-term working capital by smaller

[Table 14] Corporate Fund Raising

(Changes during the period)

Unit : billion won

	2001				2002					
	Ⅰ	Ⅱ	Ⅲ	Ⅳ	Ⅰ	Jan.	Feb.	Mar.	Apr.	May
Bank loans[1]	3,275	3,748	6,293	-267	12,718	4,818	2,948	4,952	4,315	4,465
Large enterprises	2,104	-2,390	-431	-2,682	3,450	2,481	320	649	-219	-378
Small and medium enterprises	1,171	6,139	6,724	2,415	9,268	2,337	2,628	4,303	4,534	4,845
Net bond issuance[2]	5,410	5,955	3,843	-6,389	-2,736	-2,459	-190	-87	-1,160	-165
Net CP issuance[3]	6,955	189	3,356	-2,400	4,901	4,390	1,490	-979	3,462	4,668
Stock issuance[4]	448	893	1,015	2,282	652	324	123	205	137	342

Notes : 1) Excluding changes to bank accounts in connection with the disposal of bad loans and debt for equity swaps, but including CLO.
2) Issuance by general companies, excluding those under court management, court receivership and workout programs.
3) Based on the amount of CP discounted by securities firms, bank trust accounts, and merchant banking corporations.
4) Based on companies listed on the Korea Stock Exchange and registered with the Kosdaq, but excluding financial institutions.

companies and banks' efforts to expand their lending, even though loans to large companies declined slightly due to their improved cash flow. The net issuance of CP also continued to rise in response to expanded CP purchases by Specified Money Trusts at banks and by mutual credits. However, the net redemption volume of corporate bonds expanded as companies declined to roll over maturing issues in order to improve their financial structure.

Summary of Monetary Policy
Adopted by the Monetary Policy Committee

April ~ June 2002

Monetary Policy in April 2002*

The economic recovery has been maintained thanks to strong consumption and construction investment. With facilities investment and exports still sluggish, however, it is still uncertain whether sufficient momentum exists for a sustained recovery. Consumer prices remain subdued.

Taking these factors into consideration, the Monetary Policy Committee of the Bank of Korea decided today to maintain its benchmark overnight call rate at around its current level in April.

Nevertheless, loans to the household sector expanded significantly and asset prices including those for stocks and real estate have continued to rise. Considering recent unstable movements of international oil prices and other factors, it is feared that inflationary pressures may increase once exports and facilities investment pick up.

* Unofficial English translation based on the Korean original that was decided upon by the Monetary Policy Committee on April 4, 2002

Therefore, the MPC noted that close attention would be paid to the pace of recovery of exports and facilities investment, the evolution of asset prices and price movements in carrying out monetary policy in the future.

Monetary Policy in May 2002*

The economic recovery has become more evident as exports have shifted to positive growth and facilities investment has shown signs of improvement along with the continued strength of both consumption and construction investment.

Although consumer prices remain subdued so far, inflation is expected to be higher in the second half due to the presence of potential destabilizing factors, including rises in international oil prices and real estate prices, and a gradual increase in demand-side inflationary pressures stemming from the economic recovery.

In particular, there is concern over a future excess of liquidity, given the current rapid growth of the monetary aggregates, which is led mainly by a steep increase in household lending at low interest rates.

Taking the current economic situations into consideration, it is believed

* Unofficial English translation based on the Korean original that was decided upon by the Monetary Policy Committee on May 7, 2002

that the fine-tuning of monetary policy is necessary in order to avoid excessive liquidity and to strengthen the basis for price stability.

Therefore, the Monetary Policy Committee of the Bank of Korea decided today to raise its target for the overnight call rate from 4.0 percent to 4.25 percent.

Monetary Policy in June 2002*

The real economy is showing strong signs of upswing. The recovery of both exports and facilities investment has become more visible, while both consumption and construction investment have continued buoyant.

Consumer prices rose 3.0 percent on a year-on-year basis in May. This was higher than the 2.5 percent of previous month, mainly due to irregular factors including supply shortage of agricultural products. Core inflation remained at 3.0 percent on a year-on-year basis in May(month-on-month increase rate was 0.3 percent), which was the same as the previous month.

Demand-side inflationary pressures are expected to build up gradually in accordance with the continued economic recovery in the near future. Cost-push pressures, however, are anticipated to be

* Unofficial English translation based on the Korean original that was decided upon by the Monetary Policy Committee on June 5, 2002

lower thanks to recent developments including the marked appreciation of the Korean won against the U. S. dollar and stable movements of international oil prices.

In addition, there still remain uncertainties over the outlook for the pace of the U. S. economic recovery and international semiconductor prices, both of which could affect exports.

Taking the current economic situations into consideration, the Monetary Policy Committee of the Bank of Korea decided today to maintain its benchmark overnight call rate at around its current level in June.

The Redefined Monetary Aggregates

Ⅰ. The Necessity for Redefined Monetary Aggregates

Monetary aggregates, which provide a measure of how much money circulates in the domestic economy, are worked out in order to grasp the volume of money and its change. Existing monetary aggregates, such as M1 and M2, have been compiled based on the legal status of financial institutions rather than the liquidity of financial instruments. Specifically, M1 and M2 include only financial instruments handled by deposit money banks, but exclude those that have a similar degree of liquidity offered by non-bank financial institutions. M3 embraces financial instruments offered by non-bank financial institutions, but it also comprises long-term financial instruments, whose liquidity is much less than that of other financial instruments.

Accordingly, monetary aggregates have failed to reflect accurately the liquidity level of the domestic economy. This has acted to reduce the relationships between the monetary aggregates and final target variables, resulting in a decline in usefulness as a policy indicator. Reflecting additionally the blurring of distinctions between financial institutions following financial reform and the move of financial institutions toward some form of universal banking, the IMF published a new manual on monetary and financial statistics, recommending that member countries compile the monetary and financial statistics in link with its abolition of distinction between deposit money banks and other financial institutions.

To reflect accurately the liquidity of the domestic economy and enhance the usefulness of monetary aggregates, while at the same time, complying with the new international standard suggested by the IMF, it has become necessary to redefine monetary aggregates from the previous orientation to financial institutions to an orientation toward the liquidity of financial assets.

On the occasion of the IMF's draft of a manual on monetary & financial statistics in June 1999, the Bank of Korea examined the desirability of redefining monetary aggregates, the definitions and coverage of new monetary aggregates based on their empirical analysis including narrow money and broad money. Reflecting the results, the central bank drew up new monetary aggregates compilation plan in June 2000.

Since then, the Bank of Korea has undertaken a number of follow-up steps, including a workshop (July 2000) in order to gather opinions from experts from related institutions and the revision of a report on financial institutions (September 2001). Finally it published the results of the compilation of the new monetary aggregates in March 2002.

Ⅱ. Main Characteristics of New Monetary Aggregates

1. Underlying Rationale

The new monetary aggregates make the degree of liquidity of financial assets the criterion for the decision as to whether individual financial assets should be included in narrow money or broad money. In judging the degree of liquidity, the Bank of Korea considered not only conditions having an impact on the characteristics of financial assets, such as the minimum deposit levels of financial assets and the possibility of their substitution by other financial assets, but also the characteristics of the financial institutions offering relevant financial assets. At the same time, it also considered practical compilation issues such as the quick accessibility of the report from financial institutions

Therefore, the Bank of Korea carried out work to classify financial assets according to their degree of liquidity. After considering various characteristics affecting the liquidity level of individual financial assets, including maturity structure, interest rate level, and conditions concerning deposit and withdrawal, it classified them into eight groups – (1) currency in circulation (2) demand deposits with transferability (3) savings deposits with transferability (4) periodical deposits and installment savings (5) marketable instruments (6) yield-based dividend instruments (7) financial debentures and (8) other financial instruments.

Among the building blocks of the indicators based on the above mentioned classification of financial instruments, the new M1 includes financial instruments with the transferability function of money and the new M2 includes financial instruments which function as a store of value, in addition to the transferability function. Meanwhile, the Bank of Korea set the conditions that the new M2 should possess, including relations with macroeconomic variables, such as inflation and the economic growth rate, and its amendability to central bank control, as the standard for selection.

2. Components of New Monetary Aggregates

To correspond with the 'Monetary and Financial Statistics Manual' of the IMF, the new monetary aggregates are classified into new M1 (narrow money) and new M2 (broad money) based on the liquidity of financial instruments, rather than the types of financial institutions.

The new M1, which places its emphasis on transferability, consists of currency in circulation plus demand deposits and savings deposits with transferability at depository corporations, differing widely from existing M1, which comprises currency in circulation plus demand deposits at deposit money banks.

New M1
= Currency in circulation + demand deposits & savings deposits with transferability (savings deposits and MMDA at commercial banks, MMF at investment trust companies, etc.)

The new M2, which refers to broad money, is a monetary aggregate incorporating not only the transferability function of money but also its function as a store of value. Although the new M2 trails behind of the new M1 in terms of degree of liquidity, it embraces the new M1 financial instruments and financial instruments with a high replacement function at depository corporations. Among these financial instruments are periodical deposits & installment savings with a maturity of less than two years ; marketable instruments, such as negotiable certificates of deposit (CD), repurchase agreements (RP), cover bills, cash management accounts (CMA) ; yield-based dividend instruments, such as Money in trust and beneficial certificates ; financial debentures which can be easily cashable in the secondary market ; securities investment savings at investment trust companies ; and bills issued by merchant banking corporations.

New M2
= New M1 + periodical deposits & installment savings + marketable instruments (CD, RP, cover bills, CMA, etc.) + yield-based dividend instruments(Money in trust, beneficial certificates, etc.) + financial debentures + others(securities investment savings at investment trust companies, bills issued by merchant banking corporations, etc.)

* Financial instruments with a maturity of more than two years are excluded.

For reference, there are several advanced countries which have compiled monetary aggregates based on the liquidity of financial instruments. The Board of the Federal Reserve System of the United States compiled monetary aggregates, including M1 and M2, based only on the financial assets of banks during the period from the 1960s to the end of the 1970s. As the pace of the flow of funds between financial institutions accelerated due to financial innovation, it introduced a new monetary aggregate system based on the liquidity of financial instruments embracing all depository institutions, including banks, savings institutions, and credit unions, in February 1980.

In preparation for the launch of the third stage of EMU, European Central Bank (ECB) also introduced a new monetary aggregate system, including M1, M2, and M3, for 12 member states of the euro area starting January 1999 in such a way as to classify financial instruments of all monetary financial institutions comprising banks and non-bank financial institutions according to their degree of liquidity.

The Bank of Japan has a formula similar to the existing monetary aggregate compilation style of the Bank of Korea, but it includes the financial instruments of some non-banking financial institutions, such as shinkin banks (mutual savings banks) etc., in addition to M1 and M2, in compiling the monetary aggregates.

3. Classification of Economic Sectors

Mapping a survey, which shows the direction and pattern of monetary flows, offers information useful for measuring the transmission effects of monetary policy. Under the new monetary aggregate system, accordingly, the main economic sectors are classified into 10 groups – the central bank, bank depository corporations, non-bank depository corporations, other financial institutions, the central government, social security organizations, local government, enterprises, households, and non-residents. This is done in harmonization with the 1993 SNA standard, the IMF recommendations, and the existing monetary aggregate compilation system.

It gives a greater depth of classification compared with the existing monetary and financial statistics system, which divides economic sectors into the four sectors – central government, public entities, the private sector, and non-residents.

The more detailed classification of main economic sectors according to the 1993 SNA standard enables users to carry out more effective and diverse analyses, including those linked with national accounts.

A. Financial Sector

To coincide with the 1993 SNA, the IMF' new manual defines the financial sector as an economic sector consisting of the central bank, depository corporations, insurance & pension funds, other financial intermediaries, and financial auxiliaries.

The sub-sectors in the new monetary aggregate system are four in number – the central bank, bank depository corporations, non-bank depository corporations, and other financial institutions (insurance & pension funds, other financial intermediaries, and financial auxiliaries).

The IMF does not distinguish between banks and non-bank financial institutions. However, in Korea, depository corporations are classified into bank depository corporations and non-bank depository corporations in order to reflect the important role of banks in implementing out monetary policy and draw up the banking survey.

B. Government Sector

To conform to the 1993 SNA, the government sector is defined as an economic sector consisting of the central government, government management funds, social security organizations, public non-profit institutions, and local governments. The subsectors are three – the central government (including government management funds, non-profit institutions of the central government), social security organizations, and local governments (including public non-profit institutions of the local government).

In particular, under the newly introduced system, some government management funds, social security organizations, and special accounts of public corporations were excluded from the central government, whereas public non-profit institutions were included in the central government.

In the meantime, the central government can mobilize funds for fiscal expenditures through borrowings from the central bank or the issuance of treasury bonds, so that it is free from restrictions by holding assets. Accordingly, the central government is excluded from the list of currency possessors in the monetary financial statistics, whereas it is regarded as a currency possessor in the other government sector.

C. Private Sector

To coincide with the 1993 SNA, the private sector is also defined as a sector comprising non-financial corporations, own-account workers, households, and private non-profit organizations. The subsectors are classified into corporations and households (including non-profit institutions serving households), considering acquisition availability of raw data and practical use of application of data.

In the meantime, the public corporation special accounts (railroad account, communication account, etc.), which had been classified as central government under the previous system, have been classified into the private sector (non-financial corporations) under the new system.

D. Non-resident Sector

According to 1993 SNA, where an institutional unit is continuously engaged in or has a will to engage in a considerable level of economic activities and transactions in a certain area of a country's economic zone, it has the center of its economic interest in the country and it is a resident of the country. Those who do not meet these conditions are regarded as non-residents.

4. Classification of Financial Assets

According to the IMF manual and 1993 SNA, financial assets are defined as economic assets over which ownership rights are enforced, individually or collectively by institutional units and from which economic benefits can be derived by holding or using the assets over a period of time.

To decide the coverage of monetary aggregates, these financial assets (debts) are classified by two standards – liquidity (negotiability, transferability, marketability, and convertibility etc.) and legal characteristics of claim and liability relations.

By adding financial derivatives to the classification standard of 1993 SNA, the IMF classifies it into eight group – ① monetary gold and SDRs ② currency and deposits ③ securities other than shares ④ loans ⑤ shares and other equities ⑥ insurance technical reserves ⑦ financial derivatives ⑧ other financial instruments

Under the new monetary aggregate system, the Bank of Korea introduced the classification system recommended by the IMF and classified financial assets into the above mentioned eight items for compilation. However, the Bank of Korea plans to move toward for a more detailed item classification, including a division of loans and securities, in the medium to long-term after supplementing the raw data.

<Reference 4> Classification and Definition of Financial Assets

Classification	Definition
Financial assets	Economic assets over which an institutional unit can exercise ownership rights individually or collectively, and the holder can earn economic profits by holding or using the assets for a certain period, or assets representing a corresponding liability against another institutional units that differ from other assets.
A. Monetary gold and SDRs	Monetary gold : Gold that the monetary authorities hold as part of the international reserves. (All gold except monetary gold is a commodity.) SDRs : External reserve assets created by the IMF. They are distributed to member countries to supplement existing international reserve assets for payment. They are exclusively held by a formal owner. (generally the central bank) ※Monetary gold and SDRs are the sole financial assets which do not represent a corresponding financial liability.
B. Currency and deposits	Financial assets that are used as media of exchange are included in broad money. They are divided into separate categories for national currency and foreign currency.
○ Currency	Bank notes and coins in circulation issued by central banks.(excluding commemorative notes & coins which are not actually in circulation)
○ Transferable deposits	① Face value-based exchange is possible without penalties or limits, ② Free transfer through checks or Giro is possible, ③ Deposits usually used for making payments ex) Demand deposits, savings deposits with transferability (savings deposits, MMF)
○ Other deposits	Deposits except transferable deposits • Quasi-transferable deposits Time deposits & installment savings(less than 2 years), beneficiary certificates, marketable instruments(CD, RP, cover bills, CMA, etc.), financial debentures(less than 2 years), Money in trust(less than 2 years), etc. • Other deposits Time deposits & installment savings with the maturity of less than 2 years, dedicated purpose savings deposits(subscription deposits, workers' long-term savings, savings for housing, etc.)
C. Securities (excluding stocks, etc.)	Financial assets whose transactions are made in general in the financial market and whose holders have the unconditional right to receive a certain amount or variable amount set according to a contract at a specific date. (Treasury bonds, local government bonds, corporate bonds)
D. Loans	Financial assets that arise when a creditor lends funds directly to a debtor and are evidenced by non-negotiable documents
○ Loans	Won currency and foreign currency loans, domestic usance import loans, advances for customers, bills bought, etc.
○ Others	call loans, credit card accounts, factoring receivables, etc.
E. Shares and other equities	Shares and other equities comprise all instruments and records acknowledging claims on the residual value of a corporation. Ownership of equity is usually evidenced by shares, stocks, participations, or similar documents. It also includes preferred stocks or shares that provide for participation in the residual value on dissolution of an incorporated enterprise. ex) Stocks, depository receipts, investment equity, etc.

Classification	Definition
F. Insurance technical reserves	Insurance technical reserves consist of net equity of households in life insurance reserves and pension funds and prepayments of premiums against outstanding claims. All these items are considered assets of beneficiaries and policyholders.
G. Financial derivatives	A financial derivatives contract is a financial instrument that is linked to a specific financial instrument, indicator, or commodity, and through which specific financial risks (such as interest rate risk, currency, equity and commodity price risk, credit risk, etc.) can be traded in their own right in financial markets. ex) Option, futures of exchange rate, stocks, index, etc.
H. Others	Financial assets, which comprise trade credit, advances, other receivables, or payables, and items which are not included in the above mentioned items.
○ Trade credit and advances	Trade credit extended directly to corporations, governments, non-profit institutions, households, and the rest of the world, advances for work in progress and prepayment for goods and services.
○ Others	All items except the above mentioned. ex) Accrued taxes, accrued expenses such as rents, wages, salaries, deferred income and provisions for loan losses and other purposes

Ⅲ. Compilation Results of New Monetary Aggregates

1. Empirical Test Results of New Monetary Aggregates

The results of verifying appropriateness as a monetary aggregate for time series data (Jan. 1991~Dec. 2001) of the newly composed M1 and M2 and the existing aggregates, M1, M2, and M3, indicate that the new monetary aggregates are superior to the existing monetary aggregates in various aspects.

Namely, among factors appraising appropriateness as a monetary aggregate are stability, that monetary aggregates keep close and stable relations with macroeconomic variables on a long-term basis ; equilibrium restorability, meaning the recovering pace in the event of breaking away from a long-term balance due to external shock ; and the exogeneity, which measures the existence and nonexistence of the effects of the imbalances occurring in the event of the break of a long-term balanced relationship between money and macroeconomic variables that affects it.

The result of verifying these appraisal factors through an error-correction model shows that all aggregates, excluding M1, had stability and the new M1 and M2 were superior to the existing M1 and M2 in terms of equilibrium restorability. In case of exogeneity, M2, new M2, M3, and new M1 were ranked in order. In the case of M2, however, it was meaningless as it had no significance.

In the meantime, new M1 comprising

currency in circulation and short-term financial instruments reflects the liquidity of the short-term financial market well, so that it has great explanatory power about market interest rates.

As the new M2 reflects the liquidity level of the domestic economy, it was revealed to have greater significance about macroeconomic variables.

2. Trends of New monetary aggregates

A. New M1

As of December in 2001, new M1 (outstanding as of the year end) amounted to about 246,721 billion won on an outstanding basis, 4.6 times M1 (53,506 billion won). Viewing the composition, it broke down into 17,079 billion won (6.9 percent of the new M1) for currency in circulation, and 46,116 billion won (18.7 percent) for demand deposits. Notably, among the components of new M1, savings deposit with transferability, including savings deposits and company deposits, which were newly added to the existing M1, amounted to 154,847 billion won (62.8 percent) and MMFs, short-term beneficial certificates of investment trust companies, came to 28,679 billion won (11.6 percent). Added deposits to M1 accounted for a large share of new M1.

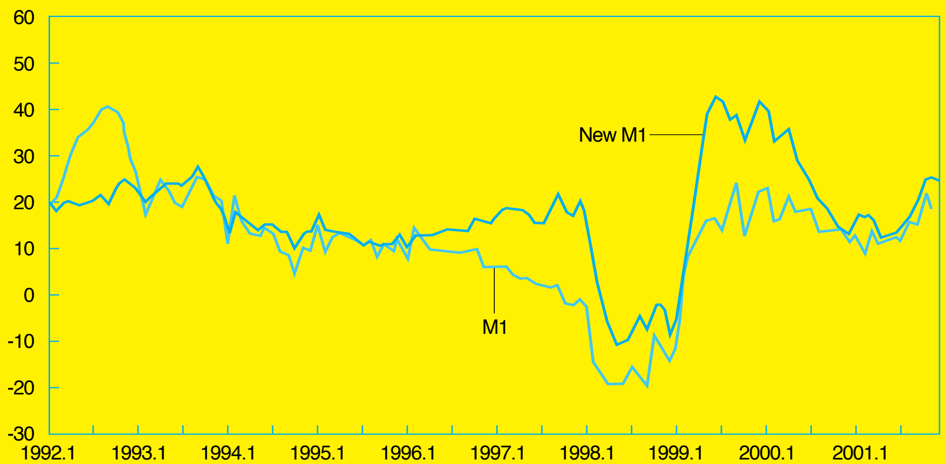
Viewing the trend of rates of increase of M1 and new M1, the correlation coefficient of the M1 and new M1 rates of increase was 0.71, showing that the new M1 growth rate (compared to the same month of the previous year) in general was similar to that of the existing M1, except for some periods.

During the period from 1992 to 1993, however, the M1 growth rate was higher than the new M1 growth rate owing to an increase in currency in circulation and demand deposits in the wake of the implementation of the real name financial transaction system. The growth rate of new M1 far exceeded that of M1 in 1997 and 1999 due to the inflow of money from beneficiary certificates at investment trust companies to MMDA at banks following the introduction of MMFs by investment trust companies (September in 1996) and the troubles of

Unit : billion won, %

Composition contents of new M1	Amount	Share	Remarks
① Currency in circulation	17,079	6.9	Combining ① and ② similar to M1
② Demand deposits	46,116	18.7	
③ Savings deposits with transferability	154,847	62.8	Added to M1
④ MMF of ITC	28,679	11.6	Added to M1
New M1(①+②+③+④)	246,721	100.0	

Rates of increase[1] of M1 and New M1



Note : 1) Percentage changes compared with the same period ofthe previous year.

Daewoo Group. As the new M1 consists of currency in circulation and short-term financial instruments, it reflects the liquidity of the short-term financial market well and has great explanatory power about market interest rate.

B. New M2

As of December in 2001, new M2 (outstanding balance at year-end) amounted to about 764,979 billion won on an outstanding basis, representing an amount 1.6 times that of M2 (467,577 billion won) and 75.2 percent of M3 (1,017, 715 billion won). Viewing the composition (outstanding balance at the end) of the new M2 by financial instruments as of the end of December 2001, time deposits & installment savings accounted for the biggest share with 322,142 billion won (42.1 percent), followed by savings deposits with transferability with 183,525.8 billion won (24.0 percent), beneficiary certificates with 74,646 billion won (9.8 percent), and currency in circulation & demand deposits with 63,195 billion won (8.3 percent).

Viewing the share by financial instrument, the share of financial instrument groups at banks (time deposits and savings deposits with transferability) showed a high growth rate owing to financial restructuring in the wake of the currency crisis, whereas the shares of other financial institutions, including money in trust and beneficiary certificates, showed a downward trend.

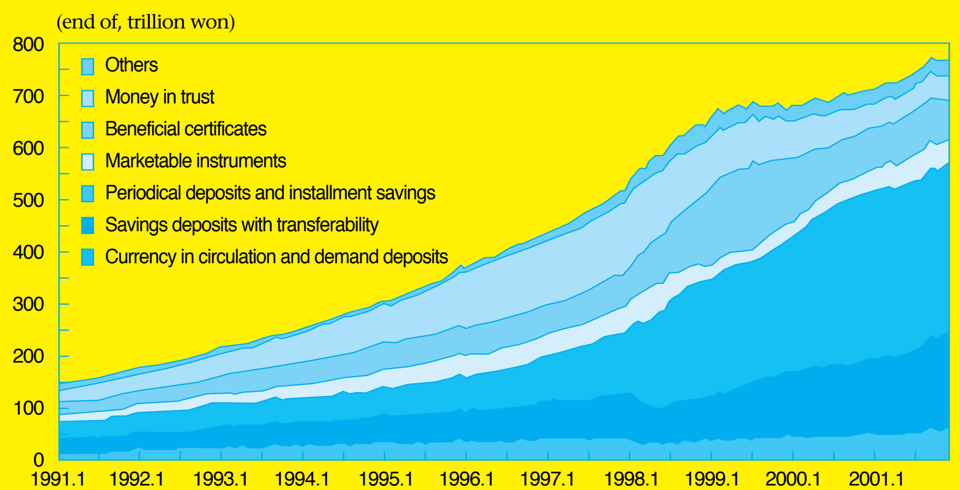
In the meantime, viewing the trend of growth rates (compared to the same month of the previous year) of new M2, M2, and M3, the correlation coefficient between new M2 and M3 was 0.83 and

The trend of specific gravity of major financial instrument groups

Unit : %, trillion won

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001[1]
Currency in circulation and demand deposits	13.5	13.1	13.0	12.0	11.7	10.4	8.1	6.6	7.8	7.8	8.3(63.2tn)
Savings deposits with transferability[2]	17.6	17.6	17.6	17.1	15.8	16.2	16.9	12.4	17.6	20.0	24.0(183.5tn)
Periodical deposits and installment savings	21.2	21.0	19.0	17.7	17.8	19.7	22.3	34.5	37.4	44.4	42.1(322.1tn)
Marketable instruments	10.0	9.5	9.4	11.5	10.7	9.9	9.8	4.7	4.6	6.3	5.8(44.7tn)
Beneficial certificates	14.1	14.7	16.3	16.0	14.3	12.4	11.3	21.2	18.3	11.2	9.8(74.6tn)
Money in trust	18.6	20.7	22.5	23.6	27.5	28.4	26.8	15.9	11.1	6.6	6.3(48.4tn)
Others	4.9	3.6	2.3	2.1	2.2	3.1	4.9	4.7	3.1	3.8	3.7(28.4tn)

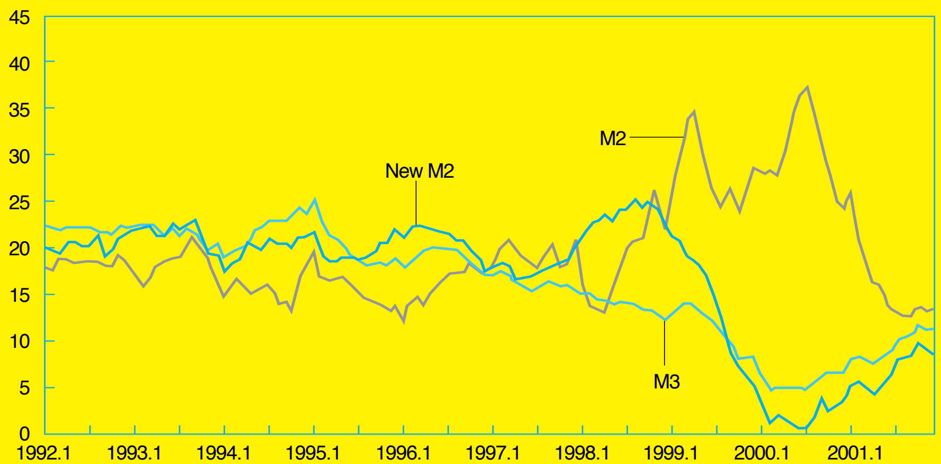
Notes: 1) Figures in parentheses refer to the those of end data.
2) Including MMF, the very short term beneficial certificates of investment trust companies.



the correlation coefficient between new M2 and M2 was -0.49, indicating that the new M2 growth rate differed widely from M2, but was similar to M3.

During 1998, however, long-term deposits dropped sharply, affected by the currency crisis and a sharp rise in interest rate, whereas the new M2 growth rate soared owing to a surge in new installment savings trusts with a maturity of one year (introduced in December 1997). As M3 includes insurance instruments with low liquidity and long-term financial instruments with a maturity of more than two years, its volatility as an indicator was revealed to be low.

Rates of increase[1] of New M2, M3, and M2



Note : 1) Percentage changes compared with the same period of the previous year.

C. Transmission of New M2 Supply

As of the end of December 2001, the total credit supply volume of depository corporations, financial institutions covered by the composition of new M2, amounted to 1,013, 132 billion won. Of the total, the domestic credit supply volume came to 882,609 billion won and the overseas credit supply volume was 130,523 billion won.

Breaking down the classification of domestic credit by sector, the central government sector supplied credit worth 64,011 billion won through the purchase of government bonds (39,675 billion won) and absorbed 72,544 billion won through the government's borrowings (27,026 billion won), resulting in a net absorption of 8,533 billion won. The local government sector absorbed 6,430 billion won through depository corporations' purchase of bonds. The corporate sector absorbed 453,845 billion won through loans (234,495 billion won) and securities (188,654.1 billion won). The household sector absorbed 278,422 billion won through loans (246,937 billion won). The other financial institutions sector, such as Korea Deposit Insurance Corporation, absorbed 152,058 billion won.

In the overseas sector, meanwhile, non-residents' liabilities amounted to 77,751 billion won through the issuance of foreign currency bonds (19,730 billion won), whereas non-resididents' assets came to 208,274 billion won through the purchase of foreign securities (133,147 billion won), resulting in a net supply of 130,523 billion won.

<Reference>

Depository Coporations[1] Survey

(As end of Dec. 2001)

Unit : billion won

Asset		Liability	
Domestic credit	882,609	New M2	764,979
Central gevernment(net)	-8,533	Currency in circulation	17,079
Assets	64,011	Deposits included in the New M2	710,967
Gevernment bonds	39,675	Demand deposits	46,116
Liabilities	-72,544	Savings deposits with transferability	154,847
Borrowing in won	-27,026	MMF	28,679
Local government	6,430	Periodical deposits and installment savings with maturity of less than 2 years	322,142
Social security organizations	387		
Non-financial corporations	453,845	Certificates of deposits	4,985
Loans and discounts (public corporation)	3,343	Cover bills	2,780
		CMA	1,265
Loans and discounts (private corporations)	230,342	Short-term bond-type beneficiary certificates	15,492
Loans and discounts (non-profit organizations)	809	Long-term bond-type beneficiary certificates	28,523
Households	278,422	Stock-type beneficiary certificates	3,992
Loans and discounts (other than non-profit org.)	245,698	Bond mixed-type beneficiary certificates	13,703
		Stock mixed-type beneficiary certificates	12,935
Loan and discounts (non-profit org.)	1,239	Money in trust with maturity of less than 2 years	48,381
Other financial institutions	152,058		
KDIC[2] bond	51,120	Bills issued by MBC	6,761
Non-residents credit(net)	130,522	Securities investment savings	5,449
Assets	208,274	Deposits in foreign currency with maturity of less than 2 years	14,916
Purchase of foreign securities	133,147		
Liabilities	-77,751	Securities included in the New M2	36,933
Issuance of foreign currency bonds	-19,730	Financial debenture	11,786
		RP	25,147
		Financial instruments excluded in the New M2	144,147
		Borrowings	13,015
		Others(net)	31,845
		Liabilities	118,076
		Assets	-86,231
		Capital	63,469
		Mutual-transaction adjustment	-4,324
Total asset	1,013,132	Total liability and capital	1,013,132

Notes : 1) Consist of Central bank, Commercial Banks, Korea Development Bank, Export-Import Bank, Merchant Banking Corporations, Investment Trust Management Companies, Trust Accounts of Banks, Mutual Savings Banks, Community Credit Cooperatives, Credit Unions, Mutual Credit Cooperatives, Postal Savings etc.

2) Korea Deposit Insurance Corporation.

Ⅳ. Publication and Expected Effects of New Monetary Aggregates

1. Publication of New Monetary Aggregates

A. Time Series data

The time series data of new monetary aggregates announced this time were monthly new M1 and new M2, and the composition contents of these indicators by financial instrument and institution during the period from January 1991 to January 2002. As for the time series of monetary aggregates before 1990, it is planned to complete compilation by the end of this year. As for the survey, it is also planned to apply the time series after 1991 retroactively, considering the possibility of acquiring basic data and the extent of the use of statistics.

Meanwhile, the existing M1 and M2 are to be compiled simultaneously until the end of 2002 when the past time series of new indicators are to be completed, taking into account the convenience for statistics users. At the time when the compilation of the existing M1 and M2 ceases, the Bank of Korea plans to work out an index B as a supplementary indicator to give informations about fund movements in the banking sector. M3 will continue to be compiled until the introduction of new liquidity aggregate, L. As a result, the number of monetary aggregates to be compiled and announced this year is six – the existing four indicators, M1, M2, MCT, M3 plus new two indicators, new M1 and new M2.

B. Public Announcement Time

To promote usefulness of the data and convenience for statistics users, the Bank of Korea plans to advance the announcement date of the monetary aggregates and the survey by 15 days (for M2) and 30 days (for M3). It plans to announce them before the end of the following month.

C. Scope and Ways of Public Announcement

The data for public announcement will be contained in the presently published 'Monthly Bulletin' and 'Money & Banking Statistics'. If necessary to meet increasing needs for statistics, it is planned to add new data for public announcement. As a means for public announcement, the Bank of Korea will offer the data through the Internet home page, 'Monthly Bulletin', and 'Money & Banking Statistics'. In particular, it plans to help users access to data they want, making use of the hyperlink function of Excel.

2. Expected Effects

As the new monetary aggregates are redefined on the basis of liquidity, they will be indicators that comply with the basic concept of money. Also, they will improve their timeliness and usefulness of monetary aggregates by advancing their announcement date through the computerization of the compilation process.

New M1, adding short-term financial instruments at the non-bank depository corporations to M1, replaces the existing M1, and it is regarded as an appropriate to grasp the liquidity level of the short-term financial market.

Also, new M2 is useful for understanding the indicator distortion phenomenon following fund movements between financial institutions, de to the fact that existing M2 excluded instruments at non-bank financial institutions. It also solves the M3 problem about the timeless of announcement, increasing its role as an information variable of the monetary policy to cope with economic fluctuations. At the same time, it was revealed to be superior in terms of stability and restorability according to the results of verifying appropriateness of new monetary aggregates, so it is expected to greatly contribute to enhancing the accuracy of economic analyses and forecasting by making use of macroeconomic models.

In addition to the improvement of monetary aggregates, the Bank of Korea introduced the transaction sectors of national accounts and the classification of financial instruments, and greatly expanded the financial statistics, making it possible to provide diversified and concrete basic data for economic analyses. Along with this, the Bank of Korea introduced a new standard and revamped monetary and financial statistics for the first time since the publication of the IMF Manual (October 2000), enhancing Korea's international status as a statistically advanced country.

Ⅴ. Future Tasks

1. Short-term Tasks

The short-run tasks this year are to carry out preparations for the replacement of the existing monetary aggregates that is to be implemented from next year smoothly through the supplementation of the time series data of new monetary aggregates and the stabilization of the compilation system.

The first task is the retroactive supplementation of the time series data for the new indicators. All the past time series data should be completed by working out the time series data of the new monetary aggregates before 1990, which have not yet been drawn up. At the same time, the time data series after 1991 for the survey of depository corporations should be worked out retroactively.

The second task is the seasonal adjustment (S. A.) of the time series data of new monetary aggregates. In the publication of the compilation results of new monetary aggregates on this occasion, the time series to be made retroactive additionally have been left out, and the seasonal adjustment of the data has been postponed. But, as soon as the time series data of new monetary aggregates are completed, new monetary aggregates will undergo seasonal adjustment by making use of BOK-X-12 ARIMA a process which is applied to the existing monetary aggregates.

The third task is the establishment of a compilation draft for supplementary aggregate B in the banking sector. Among depository corporations, the role of banks is very important in Korea. In keeping with a time when the compilation of the existing M1, M2, and MCT ceases, the Bank of Korea plans to map out a compilation draft for supplementary aggregate B in the banking sector, which can replace the above mentioned aggregates.

Besides this, the task that the Bank of Korea has to press forward with this year is to revamp and adjust the publications the central bank issues, including the 'Monthly Bulletin' and the 'Money & Banking Statistics' and formulas containing monetary and financial statistics, including the statistics data base and the homepage of the BOK, so that these are coordinated with the new monetary aggregates and monetary and financial statistics system.

2. Mid- and Long-term Tasks

Besides the above mentioned short-term tasks, there are mid- and long-run tasks to be pursued after the stabilization of the new monetary aggregate system. These will include the compilation of the liquidity aggregate L recommended by the IMF Manual and the development of flow statistics.

The first task is mapping out a compilation draft for the liquidity aggregate L, which shows the overall liquidity level of the total economy, in addition to the new aggregates – new M1 and new M2. It plans to fix the scope of financial instruments to be included in the aggregate later after engaging in consultations with experts in and outside the bank and holding a seminar. When the L replaces the M3 in future, the new monetary aggregate system will take firm root along with the new M1, new M2, B, and L.

New monetary aggregate system

Old Aggregates		New Aggregates	Comments
M1	→	New M1	Old and new aggregates will be compiled simultaneously until the time series of new M1 is abtained.
M2	→	New M2	Old and new aggregates will be compiled simultaneously until the time series of the new M2 is obtained(about 1 year)
MCT	→	–	Replacement as B, along with the suspension of M2 compilation
M3	→	L	The existing M3 compilation will continue until the establishment of new M1 and new M2
	→		(Collecting of basic materials for compilation of L will continue simultaneously)
-	→	B	Compiled as a supplementary aggregate when the compilation of M2 and MCT ceases.

The second task is the development of monetary and financial statistics introducing the flow concept. In addition to the stock statistics now being worked out, the IMF recommends that monetary and financial statistics coincide with the 1993 SNA system through the compilation of flow statistics, which is divided into three components : transactions, revaluation, and other changes in the volume of assets.

One other task the Bank of Korea will have to press ahead with a mid- and long-term basis is to strengthen its capacity for the compilation of financial statistics, for which demand is growing rapidly, by classifying loans into the long-term and short-term, as with deposits, working out data on interest rates of bank deposits and loans by size, and helping users of statistical data establish economic policies or undertake economic analyses.

Flow of Funds in 2001

Ⅰ. Introduction

Looking at the flow of funds in 2001, the scale of the business sector's fund-raising contracted sharply from a year earlier. The reasons were that the demand for capital was not very large due to sluggish facility investment, even though the fund-raising conditions in the direct financial market, including corporate bond market, improved.

Despite a reduction in the fund-raising volume, the scale of fund utilization stood at a level similar to that of the previous year, affected by the accumulation of standby funds and working capital in preparation for economic recovery.

In the case of the individual sector, the scale of funds utilization expanded sharply from the previous year owing to increased financial savings following an expansion in the volume of funds raised. This occurred despite the high growth rate of consumer spending, which outpaced that of the growth of incomes and a sharp reduction in the volume of financial surplus as a result of active housing investment.

In the financial sector, loans extended by non-bank financial institutions, which had been on a steady decline since the foreign exchange crisis, shifted to an increase. Bank loans, meanwhile, maintained their robust growth. As the supply of funds through the purchase of securities, including stocks and corporate bonds, expanded, the volume of fund supply in the non-financial sectors increased sharply from the previous year.

In the government sector, the scale of the financial surplus declined from the previous year owing to an expansion in the fiscal expenditures to support economic recovery increased tax revenues notwithstanding. The overseas sector exhibited a financial deficit (increase in Korea's net external assets) following on from the previous year as the domestic sector registered a financial surplus thanks to the current account surplus.

Meanwhile, as of the end of 2001, the debt of non-financial sectors (business, individual and government sector) stood at 1,081.2 trillion won, up 9.1 percent from the end of 2000. Reviewing the debt of each of the non-financial sectors, that of both the individual and government sector increased sharply (20.3 percent, 12.8 percent, respectively), while that of the business sector registered a modest 3.3 percent rise.

Total financial transactions (increase in financial assets) stood at 348.7 trillion won during 2001. As of the end of 2001, total financial assets outstanding amounted to 4,000.6 trillion won. Accordingly, the financial interrelation ratio (financial assets outstanding/nominal GNI), which measures the degree of financial assets accumulation in the economy as a whole, rose from 6.92 at the end of the previous year to 7.36.

Ⅱ. Financial Transaction Characteristics by Sector

1. The Business Sector : Reduction in Fund-Raising and Financial Deficit

A. Fund-Raising

During the year 2001, the volume of fund-raising (increase in financial debts) in the business sector declined to 51.9 trillion won from the previous year (65.8 trillion won) due to the sluggish demand for funds caused by a reduction in facilities investment and the reduced growth of borrowings from banks.

Looking at the pattern of funds raised,

[Table 1] Fund-Raising by the Business Sector

Unit : billion won, per cent

	1999		2000		2001	
	Amount	proportion	Amount	proportion	Amount	proportion
Fund Raising	52,995	100.0	65,759	100.0	51,939	100.0
Indirect finance	2,198	4.1	11,768	17.9	1,185	2.3
Borrowings from DMBs	15,525	29.3	23,279	35.4	3,381	6.5
Borrowings from non-banks	-13,267	-25.0	-11,551	-17.6	-2,377	-4.6
Direct finance	24,792	46.8	17,204	26.2	36,838	70.9
(Commercial paper)	-16,116	-30.4	-4,764	-7.2	4,210	8.1
(Stocks)	41,137	77.6	20,751	31.6	16,504	31.8
(Corporate bonds)	-2,827	-5.3	-2,063	-3.1	11,761	22.6
Borrowings from abroad	12,777	24.1	16,820	25.6	2,283	4.4
Others[1]	13,228	25.0	19,967	30.4	11,633	22.4

Note : 1) Trade credits, borrowings from government, bills payable, etc.

the amount of indirect financing, i.e., borrowings from financial institutions, shrank dramatically to 1.2 trillion won from the preceding year (11.8 trillion won). This decline took place owing to a continued redemption of borrowings from non-bank financial institutions, including merchant banking corporations and insurance companies, coupled with a sharp drop in borrowings from banks.

The volume of fund-raising through direct financing rose sharply to 36.8 trillion won from the previous year (17.2 trillion won). This was brought about by improved fund-raising conditions, affected by a series of financial market stabilization measures, including the introduction of Primary CBO and the Prompt Corporate Bond Underwriting System, as well as the increased power to purchase corporate bills following a hike in deposit taking by investment trust companies and trust accounts of banks.

Meanwhile, borrowings from overseas dropped sharply to 2.3 trillion won from the previous year's 16.8 trillion won due to a decrease in import-related trade credits and the redemption of locally raised financing.

B. Funds Utilization

During 2001, the scale of the business sector's funds utilization (increase in financial assets) amounted to 28.0 trillion won, a similar level to the previous year's 27.8 trillion won. This occurred despite a reduction in the volume of funds raised thanks to enterprises' holding of investment standby funds and working capital in preparation for the upcoming economic recovery.

[Table 2] Funds Utilization by the Business Sector

Unit : billion won, per cent

	1999		2000		2001	
	Amount	proportion	Amount	proportion	Amount	proportion
Fund Utilization	23,998	100.0	27,815	100.0	27,974	100.0
Deposits	2,042	8.5	8,591	30.9	18,242	65.2
Deposit money banks	13,401	55.8	18,906	68.0	14,826	53.0
Non-banks	-11,359	-47.3	-10,315	-37.1	3,417	12.2
Securities	94	0.4	5,975	21.5	13,076	46.7
(Beneficiary certificates)	-4,283	-17.8	-5,817	-20.9	1,946	7.0
(Commercial paper)	-1,040	-4.3	1,754	6.3	3,850	13.8
(Corporate bonds)	5,180	21.6	3,457	12.4	6,331	22.6
(Stocks)	4,290	17.9	3,138	11.3	2,613	9.3
Foreign claims	10,081	42.0	7,692	27.7	5,578	19.9
Others[1]	11,781	49.1	5,558	20.0	-8,922	-31.9

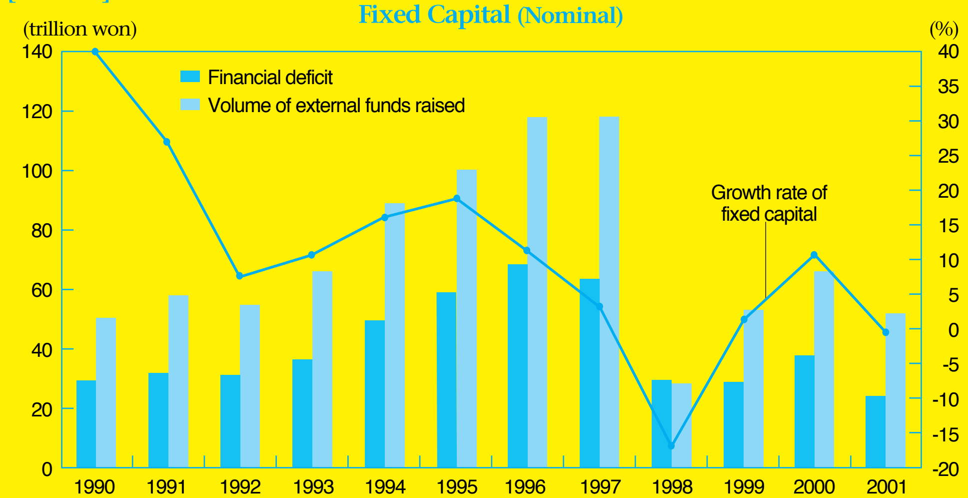
Note : 1) Trade credits, currency, bills receivable, etc.

Viewing the pattern of fund utilization by type of asset, deposits at financial institutions increased remarkably to 18.2 trillion won from the previous year's 8.6 trillion won. This expansion was driven by the shift of deposit taking by non-bank financial institutions to an increasing pace amid a steady rise in deposits at banks, including savings deposits. The sector's security holdings also rose sharply to 13.1 trillion won from the previous 6.0 trillion won as holdings of beneficiary certificates shifted from a net disposal to a net acquisition following the expansion of investment in commercial paper and corporate bonds.

C. Financial Deficit

In the year 2001, the financial deficit (fund-raising - fund utilization = investment - savings) of the business sector narrowed to 24.0 trillion won from 37.9 trillion won in the previous year owing to the reduced demand for investment funds in line with lackluster facilities investment. Accordingly, the ratio of the business sector's financial deficit ratio (financial deficit/nominal GNI) dropped

[Chart 1] Business Sector's Financial Deficit and Growth Rate of Fixed Capital (Nominal)



[Table 3] Business Sector's Financial Deficit and Growth Rate of Fixed Capital

Unit : billion won, per cent

	1990	1995	1997	1998	1999	2000	2001
Financial deficit(A)	29,394.3	59,131.1	63,911.1	29,204.1	28,956.5	37,943.7	23,965.0
A / Nominal GNI	16.5	15.7	14.2	6.7	6.1	7.3	4.4
Volume of external funds raised	50,778.4	100,261.0	118,044.7	28,017.5	52,994.8	65,759.1	51,939.1
Growth rate of fixed capital	39.9	18.9	3.3	-16.8	1.4	10.5	-0.5

from 7.3 percent in the previous year to 4.4 percent.

Looking at the trend of the business sector's financial deficit since the early 1990s, its scale had expanded continuously in response to the increased external fund-raising needed to finance its facilities investment. But in 1998, the year after the currency crisis, the volume of external fund-raising and the sector's financial deficit both shrank abruptly as a result of the downturn in fixed investment. Beginning in 1999, the scale of its financial deficit showed an upward trend again, affected by the economic recovery. From early 2001, however, the financial deficit has been on a declining trend owing to a reduction in the volume of external fund-raising amid sluggish facilities investment and an economic downturn.

2. The Individual Sector : Expansion of the Volume of Fund Utilization

A. Fund-raising and Utilization

During the year 2001, the amount of funds raised by the individual sector expanded greatly from the 36.3 trillion won of the previous year to 70.5 trillion won. This was caused by an increase in the demand for housing-related funds following the rise in housing prices and housing lease deposits coupled with financial institutions' continued efforts to expand household loans.

Meanwhile, the volume of the individual sector's funds utilization grew to 85.2 trillion won in 2001 from 68.8 trillion won in the previous year backed by an increase in financial savings in the wake of the expansion in the volume of funds raised.

Looking at the pattern of funds utilized, deposits at financial institutions declined somewhat, whereas securities holdings rose sharply. Deposits at financial institutions dwindled from 91.1 trillion won in the previous year to 73.1 trillion won as the increasing pace of savings deposits at deposit money banks slowed down, offsetting a rise in deposits at non-bank financial institutions, notably money in trust.

In the meantime, the acquisition of securities shifted from a net redemption of 17.9 trillion won in the previous year to an increase of 15.7 trillion won, boosted by the shift of beneficiary certificates from a massive redemption to a net increase.

Looking at the composition of financial assets held by the individual sector during the period, the share of deposits at banks shrank markedly from the 107.9 percent of the previous year to 38.2 percent, while that of securities holdings shifted from the net redemption of 26.0 percent in the previous year to an 18.4 percent increase.

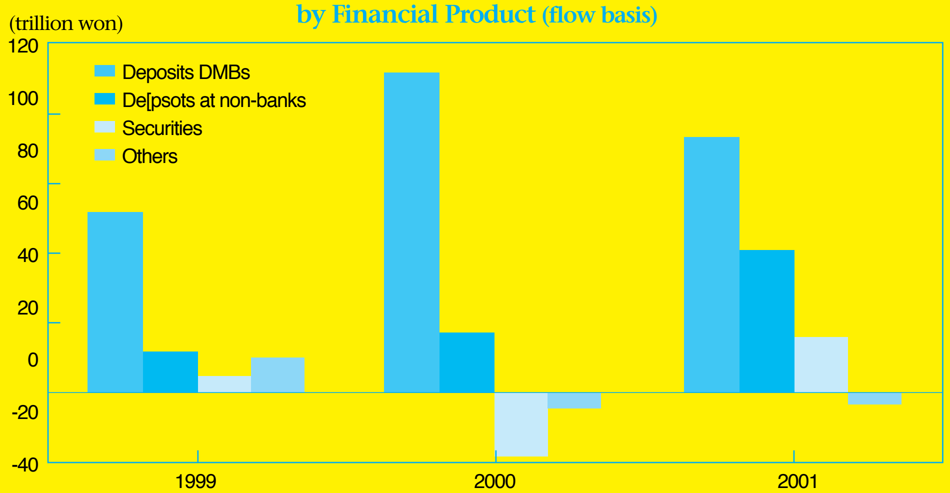
[Table 4] Fund-Raising and Utilization by the Individual Sector

Unit : billion won, per cent

	1999		2000		2001	
	Amount	proportion	Amount	proportion	Amount	proportion
Fund Raising(A)	23,067	100.0	36,307	100.0	70,519	100.0
(Borrowings from DMBs)	23,434	101.6	22,439	61.8	46,207	65.5
(Borrowings from non-banks)	-6,016	-26.1	4,776	13.2	13,542	19.2
Fund Utilization(B)	65,888	100.0	68,770	100.0	85,224	100.0
Deposits	51,513	78.2	91,098	132.5	73,053	85.7
Deposit money banks	40,077	60.8	74,227	107.9	32,534	38.2
(Demand deposits)	1,927	2.9	2,923	4.3	2,915	3.4
(Time & savings deposits)	37,908	57.5	61,890	90.0	34,061	40.0
Non-banks	11,436	17.4	16,871	24.5	40,519	47.5
(Life insurance & pension funds)	10,406	15.8	16,885	24.6	17,863	21.0
(Others)	10,631	16.1	11,516	16.7	20,819	24.4
Securities	4,465	6.8	-17,869	-26.0	15,684	18.4
(Beneficiary Certificates)	-9,755	-14.8	-23,854	-34.7	2,882	3.4
(Stocks)	14,279	21.7	2,387	3.5	5,998	7.0
Others[1]	9,910	15.0	-4,459	-6.5	-3,513	-4.1
Financial Surplus(B-A)	42,821		32,463		14,705	

Note : 1) Currency, bills receivable, etc.

[Chart 2] Composition of Individual Sector's Fund Utilization by Financial Product (flow basis)



B. Financial Surplus

During the year 2001, the individual sector's financial surplus (fund utilization - fund-raising = savings - investment) shrank sharply to 14.7 trillion won from 32.5 trillion won in the previous year. This was largely due to the high growth rate of consumer spending, which out-

[Table 5] Indicators Related with Individual Sector's Financial Surplus

Unit : per cent

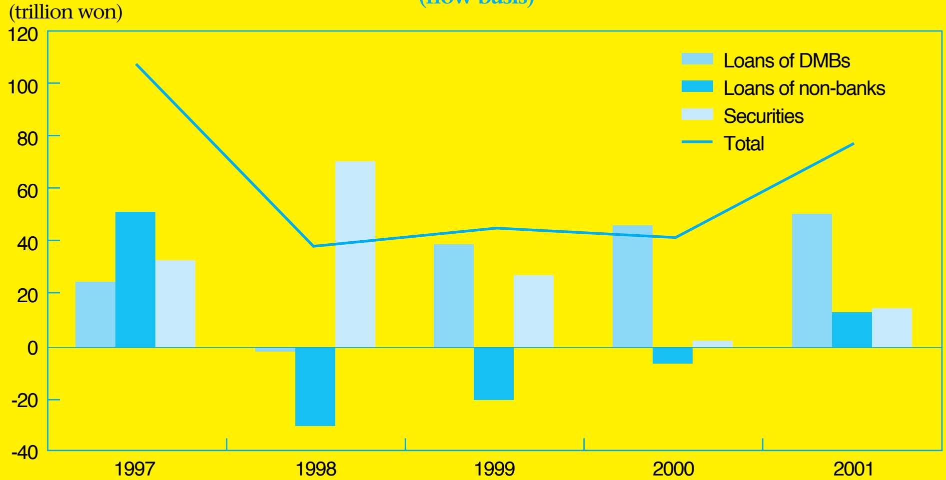
	1997	1998	1999	2000	2001
Growth rate of GNI (nominal)	8.1	-3.2	9.2	8.9	4.7
Growth rate of private consumption (nominal)	9.1	-4.8	11.7	10.3	8.4

stripped that of incomes and a sharp rise in housing investment.

3. Recovery of Non-bank Financial Institutions' Fund Intermediary Function

During the year 2001, the amount of funds supplied to domestic non-financial sectors (business, individual and government sector) by the financial sector (excluding the Bank of Korea) expanded sharply from the 41.2 trillion won of the

[Chart 3] Trends in the Volume of Funds Supplied to the Non-financial Sectors (flow basis)



[Table 6] Trends in the Volume of Funds Supplied to the Non-financial Sectors

Unit : trillion won

	1997	1998	1999	2000	2001
Total[1]	107.8	37.1	45.4	41.2	76.6
Loans	75.2	-32.6	19.0	39.1	62.2
DMBs	24.4	-2.6	39.1	45.9	49.8
Non-banks	50.8	-30.0	-20.0	-6.8	12.4
Securities	32.7	69.6	26.3	2.2	14.4

Note : 1) The volume of funds supplied to the non-financial sector(comprising the business, individual and government sectors) by the financial sector.

previous year to 76.6 trillion won. This was attributable to both the shift of non-bank financial institutions' loans to a 12.4 trillion won rise from their continuous decline since the currency crisis and the expansion of money supply through the acquisition of securities, including stocks and corporate bonds, amid a steady rise in banks' loans (49.8 trillion won).

4. Government Sector : Contraction of Financial Surplus

During the year 2001, the scale of funds raised by the government sector expanded from the 10.5 trillion won of the previous year to 13.3 trillion won. This chiefly represented both a continued rise in the issuance of government and public bonds and a hike in its borrowings from financial institutions. In contrast, the amount of funds utilized by the government sector declined somewhat owing to a reduction in government sector lending (12.3 trillion won → 7.5 trillion won) and decreased deposits at financial institutions.

Despite an increase in tax revenue, the size of the government sector's financial surplus dropped to 23.8 trillion won from the 29.7 trillion won of the previous year due to expanded financial expenditures to support economic recovery.

5. Overseas Sector : Reduction in Fund-raising and Utilization

During the year 2001, the overseas sector posted a financial deficit (increase in Korea's net external assets) of 14.0 trillion

[Table 7] Fund-Raising and Utilization by the Government Sector

Unit : billion won, per cent

	1999		2000		2001	
	Amount	proportion	Amount	proportion	Amount	proportion
Fund Raising(A)	19,662	100.0	10,504	100.0	13,273	100.0
(Public bond issue)	17,718	90.1	8,464	80.6	8,858	66.7
(Borrowings from financial institutions)	-577	-2.9	81	0.8	1,225	9.2
(Borrowings from abroad)	38	0.2	-349	-3.3	-595	-4.5
Fund Utilization(B)	33,282	100.0	40,209	100.0	37,065	100.0
Deposits	5,811	17.5	6,079	15.1	2,755	7.4
(Government deposits at BOK)	2,437	7.3	2,302	5.7	-2,774	-7.5
(Other deposits)	3,561	10.7	2,001	5.0	1,468	4.0
Government loans	7,222	21.7	12,268	30.5	7,456	20.1
Securities	14,287	42.9	16,077	40.0	30,247	81.6
(Stocks)	2,757	8.3	2,078	5.2	984	2.7
(Capital participations)	2,866	8.6	1,490	3.7	4,726	12.8
(Bonds)	8,664	26.0	12,510	31.1	24,537	66.2
Others	5,962	17.9	5,784	14.4	-3,394	-9.2
Financial surplus(B-A)	13,620		29,705		23,792	

[Table 8] Flow of Funds between the Domestic and Overseas Sector

Unit : billion won, per cent

	1999		2000		2001	
	Amount	proportion	Amount	proportion	Amount	proportion
Fund Raising(Foreign Claims: A)	33,408	100.0	35,025	100.0	10,451	100.0
(Foreign exchange holdings)	26,370	78.9	24,496	69.9	6,805	65.1
Fund Utilization(Foreign Debts: B)	8,909	100.0	22,496	100.0	-3,535	100.0
(Foreign direct investments)	11,081	124.4	10,509	46.7	4,136	-117.0
(Foreign trade credits)	5,449	61.2	4,729	21.0	-3,490	98.7
(Foreign currency denominated bonds)	-5,789	-65.0	-263	-1.2	1,774	-50.2
(Public and bank loans)	-9	-0.1	-3,798	-16.9	-1,094	30.9
(Foreigner's stock investment)	14,845	166.6	15,473	68.8	13,133	-371.5
(Use of IMF credit)	-12,276	-137.8	0	0.0	-7,319	207.0
Financial deficit(A-B)	24,499		12,528		13,986	

won as the domestic sector showed a financial surplus due to the continuation of the current account surplus.

The volume of the overseas sector's fund-raising (increase in Korea's external assets) shrank sharply from 35.0 trillion won of the previous year to 10.5 trillion won owing to the slower growth rate of foreign exchange holdings and a big fall in financial institutions' short-term foreign currency loans.

The scale of the overseas sector's funds utilization also shifted from the 22.5 trillion won of the previous year to a net disposal of 3.5 trillion won. This was attributable to the redemption of overseas borrowings, including IMF funds, as well as a reduction in import-related trade credits.

Ⅲ. Accumulation of Financial Assets and Debt of Non-Financial Sectors

1. Accumulation of Financial Assets

During the year 2001, the size of the increase of financial assets expanded

[Table 9] Trends in Financial Asset Accumulation

Unit : trillion won, per cent

	1997	1998	1999	2000	2001
Amount of increase in financial assets[1)]	387.5 (15.9)	309.9 (-20.0)	264.5 (-14.6)	265.4 (0.3)	348.7 (31.4)
Financial assets outstanding	2,791.1	3,017.6	3,276.3	3,592.5	4,000.6
Financial interrelation ratio(times)	6.19	6.91	6.86	6.92	7.36

Note: 1) Figures in bracket indicate the rate of change compared with the previous year.

[Table 10] Financial Interrelation Ratios of Selected Countries

Unit : times

	Korea		Japan(2001)	U.S.A(2001)
	2000	2001		
Financial interrelation ratio	6.92	7.36	11.44	8.88
(Non-financial sectors)	(2.88)	(3.07)	(5.05)	(4.31)
Cash, deposits and insurance	1.76	1.87	3.18	1.66
Securities	2.07	2.35	2.78	3.79

from the 265.4 trillion won of the previous year to 348.7 trillion won. As of the end of 2001, total financial assets outstanding registered 4,000.6 trillion won. Accordingly, the financial interrelation ratio (financial assets outstanding/nominal GNI), which measures the degree of financial assets accumulation in the economy as a whole, moved up from 6.92 at the end of the previous year to 7.36.

Compared with the ratios in other countries, Korea's financial interrelation ratio remains somewhat low, trailing that of Japan (11.44 in 2001) and that of the United States (8.88 in 2001). Looking at the financial interrelation ratio by type of financial asset, that of Korea for securities was much lower than that of the United States, and slightly lower than that of Japan, while Korea's interrelation ratio for deposits and insurance was much lower than that of Japan, but higher than that of the United States.

2. Debt of Non-financial Sectors

As of the end of 2001, the debt of the non-financial sectors (outstanding basis) stood at 1,081.2 trillion won, represent-

[Table 11] Trends in the Debt of the Non-financial Sectors

Unit : trillion won, per cent

	1998	1999	2000	2001
Total debt of Non-financial sectors(A)[1]	909.9 (-1.0)	927.3 (1.9)	991.0 (6.9)	1,081.2 (9.1)
Business	631.1	614.7	618.9	639.3 (3.3)
Individual	226.3	243.7	293.5	353.2 (20.3)
Government	52.4	68.9	78.6	88.7 (12.8)
A/Nominal GNI(times)	2.08	1.95	1.91	1.99
Total asset of Non-financial sectors[2]	1,051.1	1,144.5	1,276.4	1,466.8 [1.36]
Individual	651.4	703.7	775.2	862.6 [2.44]

Notes : 1) Figures in bracket indicate the rate of change compared with the previous year.
2) Figures in parentheses indicate the ratio of the assets of the non-financial sectors to the debt of the non-financial secotrs.

ing a 9.1 percent rise over the end of the previous year. The ratio of the debt of the non-financial sectors to nominal GNI also rose slightly from the 1.91 of the previous year to 1.99. Reviewing the debt of the various non-financial sectors, that of the individual and government sector showed a relatively high growth rate(20.3 percent and 12.8 percent, respectively), whereas that of the business sector posted the lowest growth rate of 3.3 percent.

Meanwhile, total financial assets outstanding in the individual sector amounted to 862.6 trillion won at the end of 2001, which represented a sum 2.44 times that of its outstanding debt.

[Table 12] Movements of Financial Transactions in 2001

Unit : trillion won

	1998	1999	2000	2001
Amount of increase in financial assets	309.9	264.5	265.4	348.7
Financial assets outstanding	3,017.6	3,267.3	3,592.5	4,000.6
Financial interrelation ratio(times)	6.91	6.86	6.92	7.36
Debt of non-financial sector(A)	909.9	927.3	991.0	1,081.2
A/Nominal GNI(times)	<2.08>	<1.95>	<1.91>	<1.99>
Business Sector	631.1	614.7	618.9	639.3
Individual Sector	226.3	243.7	293.5	353.2
Government Sector	52.4	68.9	78.6	88.7
Assets of non-financial sector(B)	1,051.1	1,144.5	1,276.4	1,466.8
B/A(times)	[1.16]	[1.23]	[1.29]	[1.36]
Business sector deficit	29.2	29.0	37.9	24.0
Fund raising	28.0	53.0	65.8	51.9
Indirect finance	-15.9	2.2	11.8	1.2
Direct finance	49.5	24.8	17.2	36.8
Borrowings from abroad	-9.5	12.8	16.8	2.3
Fund Utilization	-1.2	24.0	27.8	28.0
Individual sector surplus	84.5	42.8	32.5	14.7
Fund raising	-30.2	23.1	36.3	70.5
Fund utilization	54.3	65.9	68.8	85.2
Government sector surplus	6.6	13.6	29.7	23.8
Fund raising	29.1	19.7	10.5	13.3
Fund utilization	35.7	33.3	40.2	37.1
Overseas sector surplus or deficit	48.9	24.5	12.5	14.0
Fund raising	43.9	33.4	35.0	10.5
Fund utilization	-5.0	8.9	22.5	-3.5
Financial sector fund raising	239.1	135.4	117.8	202.6
Financial sector fund utilizaion	226.1	132.4	106.1	202.0

Ⅳ. Implications

During the year 2001, fund-raising conditions in the direct financial market improved, affected by a series of financial market stabilization measures, including the introduction of Primary CBOs and the Prompt Corporate Bond Undertaking System. However, the volume of the business sector's fund-raising shrank from the previous year owing to reduced demand for business funds as a result of sluggish facilities investment amid the economic downturn.

Looking at the breakdown of fund-raising by the business sector, borrowings from financial institutions and overseas borrowings were subdued, whereas fund-raising through direct financing, with a focus on corporate bonds and commercial paper, showed a sharp rise.

In the past, most enterprises were heavily dependent on borrowings from financial institutions, most notably banks, as a means of fund-raising. This hightened up their debt-to-equity ratios and worsened their financial structure, serving as a key factor in weaking their external competitiveness.

Accordingly, the recent shift in the pattern of corporate fund-raising to one oriented to direct financing is regarded as desirable in terms of securing stable funds and diversifying fund-raising sources. Enterprises should not use such funds for standby funds or the repayment of borrowings from financial institutions. Rather, they are urged to use them for investment to improve profitability and productivity, bolstering their external competitiveness and improving the pattern of fund-raising through favorable circulation of funds.

With the restoration of the financial intermediary function of non-bank financial institutions, which had contracted following foreign exchange crisis, the volume of funds supplied to the non-financial sectors by the financial sector expanded greatly. This was attributable to an improvement in the reliability of financial institutions as a result of the continuous financial restructuring and the expansion in the fund utilizing capacity of non-bank financial institutions, affected by the influx of market funds seeking in search of higher yields.

It is certain that the recovery of the fund intermediary function of non-bank financial institutions girds a positive signal to the overall financial market. However, as the recent financial institutions' loans have been concentrated on individual sector, it is far from a favorable cycle, in which the supply of funds to the private sector is linked to actual investment. At the same time, it holds the threat that an increase of the credit risk of individuals resulting from a reduction of incomes would feed back directly with the insolvency of financial institutions.

Accordingly, financial institutions

should exert efforts to expand the supply of funds to sound large companies and small and medium-sized companies facing difficulties in raising funds from the direct financial market owing to a relatively low credit rating and more away from the increase of lending to households.

Finally, the fund-raising volume of the individual sector increased sharply from the previous year due to rising demand for housing funds in the wake of a rise in housing prices and housing lease deposits as well as the constant efforts of financial institutions to expand household loans. In the individual sector, the volume of fund utilization rose sharply owing to an expansion in the capacity for financial savings, including an increase in incomes. The sector's financial assets also stand a level 2.44 times that of its financial debt, so it is not regarded as being at a worrisome level.

However, it is certain that the impulsive and unreasonable pattern of consumption generated by the use of credit cards and an increase in borrowings from financial institutions on the basis of low interest rates will be a burden on households if the economic situation changes in the future. As a result, individuals and households need to map out a rational plan of fund demand and supply.

Financial Statement Analysis for 2001

Ⅰ. Overview

During the year 2001, the financial structure of the manufacturing industry improved owing to the increase of stock issuance, debt for equity swaps, debt forgiveness, and the reduction of non-interest bearing liabilities, but its profitability worsened due to sluggish sales.

Looking first at financial structure, the average debt ratio in the manufacturing industry dropped by 28.4 percentage points from the end of the previous year to 182.2 per cent at the end of 2001, showing its lowest level since 1967 (151.2 per cent). The ratio of total borrowings and bonds payable to total assets also decreased.

In terms of profitability, the ratio of operating income to sales declined by 1.9 percentage points from the previous year to 5.5 per cent in 2001, posting the lowest level since the central bank began to compile the statistics in 1961. But the ratio of ordinary income to sales edged down by 0.9 percentage points to exhibit a surplus of 0.4 per cent, because of the improved non-operating balance resulting from a reduction in financial expenses.

In terms of growth, the sales of the manufacturing industry in 2001 increased by a mere 1.7 per cent from the previous year, showing a poor performance. Total assets and tangible assets also decreased by 1.8 per cent and 1.5 per cent, respectively, from the end of the previous year.

Meanwhile, the construction industry enjoyed an improvement in profitability and financial structure, encouraged by a recovery of the construction business and debt for equity swaps. Despite a fall in sales brought about by sluggish exports, the profitability and financial structure of the wholesale & retail industry improved owing to the brisk activity of domestic distribution and the shift from deficit to surplus by some large companies.

Ⅱ. Financial Stability

1. Manufacturing

The debt ratio (the ratio of liabilities to stockholders' equity) dropped by 28.4 percentage points from 210.6 per cent at the end of 2000 to 182.2 per cent at the end of 2001, posting the lowest level since 1967 (151.2 per cent). The reduced debt ratio was largely ascribable to the increase of stock issuance, debt for equity swaps, debt forgiveness, and a reduction in non-interest bearing liabilities.

The ratio of stockholders' equity to total assets rose up by 3.2 percentage points from 32.2 per cent at the end of 2000 to 35.4 per cent at the end of 2001.

The ratio of total borrowings and bonds payable to total assets fell by 1.4 percentage points from 41.2 per cent at the end of 2000 to 39.8 per cent at the end of 2001, showing the lowest level since 1989 (38.5 per cent). However, it was still higher than those of advanced countries, including the United States(2001: 27.4 per cent) and Japan (29.7 per cent).

Viewing the structure of assets at the end of 2001, the cash ratio(16.4 per cent) and the current ratio(97.9 per cent) recorded their highest levels since 1978(17.0 per cent) and 1990(99.4 per cent), respectively, reflecting the efforts to secure liquidity.

[Table 1] Indicators of Financial Stability in Manufacturing

Unit : per cent

	1980-89	1990-99	1997	1998	1999	2000	2001	U.S. (2001)	Japan (2000)
Debt ratio	361.2	302.4	396.3	303.0	214.7	210.6	182.2	159.4	159.7
Stockholders' equity to total assets	22.1	25.1	20.2	24.8	31.8	32.2	35.4	38.6	38.5

Sources : The Bank of Korea, Financial Statement Analysis.
U.S. Department of Commerce, Quarterly Financial Report, Fourth Quarter 2001.
Japan, Ministry of Finance, Ministry of Finance Statistics Monthly, Aug. 2001.

[Table 2] Indicators of Dependence on Borrowed Funds in Manufacturing

Unit : per cent

	1980-89	1990-99	1997	1998	1999	2000	2001	U.S. (2001)	Japan (2000)
Total borrowings and bonds payable to total assets	44.3	46.6	54.2	50.8	42.8	41.2	39.8	27.4	29.7

Sources : As for Table 1.

The ratio of tangible assets to total assets remained unchanged from the end of the previous year at 45.2 per cent, still higher than the United States(2001:24.9 per cent) and Japan(2000: 29.7 per cent). The turnover of tangible assets was 2.18 times in 2001, only two-thirds of 3.7 times in the United States in 2001 and the 3.5 times of Japan in 2000. This indicates that the efficiency of tangible assets operation has not yet improved. In the meantime, the ratio of inventories to total assets declined by 0.4 percentage points from 10.0 per cent in the previous year to 9.6 per cent, reflecting efforts to reduce inventory-related costs. The ratio of inventories to sales also continued its downward trend.

Looking at the distribution range of the debt ratios of manufacturing enterprises(2,175) surveyed at the end of 2001, the proportion of enterprises whose debt

[Table 3] Indicators Related to Assets in Manufacturing

Unit : per cent, times

	1980-89	1990-99	1997	1998	1999	2000	2001	U.S. (2001)	Japan (2000)
Current ratio[1]	99.8	93.8	91.8	89.8	92.0	83.2	97.9	122.1	132.3
Fixed ratio[2]	228.5	224.5	261.1	242.5	202.3	198.5	181.6	177.9	128.9
Cash ratio[3]	11.8	13.8	13.6	15.4	13.7	13.5	16.4	12.6	29.3
Cash & Bank deposits /Total Assets	5.7	6.2	6.4	6.5	5.3	5.9	6.0	4.0	11.1
Trade receivables /Total assets	16.4	16.9	18.6	14.5	14.1	14.0	13.7	9.8	21.5
Inventories/Total assets	17.4	12.1	11.4	9.4	9.1	10.0	9.6	9.9	10.0
Tangible Assets /Total assets	40.6	41.5	39.2	43.6	43.8	45.2	45.2	24.9	29.7
Investments[4]/Total assets	4.2	9.4	14.5	17.3	20.6	18.6	19.1	43.7	19.9
(Investment Securities /Total assets)	-	5.0	6.1	9.2	12.0	11.3	10.6	-	12.9
Tangible Asset Turnover[5]	-	-	2.22	2.00	1.85	2.16	2.18	3.7	3.5

Notes: 1) (current assets/current liabilities) × 100. 2) (fixed assets/stockholders' equity) × 100.
3) (cash & bank deposits/current liabilities) × 100. 4) Includes intangible assets.
5) sales/tangible assets.
Sources: As for Table1.

[Table 4] Distribution of Debt Ratios in Manufacturing

Unit : per cent

Debt ratio		Under 100%	100~200%	200~300%	300~400%	400~500%	Over 500%	Negative
proportion of enterprises	1999	25.4	28.0	15.8	7.3	3.9	9.2	10.4
	2000	28.0	28.8	15.6	7.7	4.4	9.6	5.9
	2001	37.2	27.1	13.6	6.1	4.0	6.9	5.1

[Table 5] Distribution of the Ratios of Total Borrowings and Bonds Payable to Total Assets in Manufacturing

Unit : per cent

Total borrowings and bonds payable to total assets		Under 20%	20~30%	30~40%	40~50%	50~60%	60~100%	Over 100%
proportion of enterprises	1999	28.9	15.2	17.7	14.8	9.1	10.1	4.2
	2000	30.1	15.9	17.2	13.4	11.2	9.6	2.6
	2001	33.7	14.3	15.6	14.8	9.9	9.2	2.5

ratios were lower than 200 per cent increased by 7.5 percentage points from 56.8 per cent at the end of 2000 to 64.3 per cent at the end of 2001.

The proportion of those with debt ratios of less than 100 per cent also rose (28.0 per cent → 37.2 per cent), and that of those with the debt ratio exceeding 500 per cent or with negative stockholders' equity fell (15.5 per cent → 12.0 per cent), showing that the overall debt ratio of manufacturing companies dropped.

The proportion of enterprises whose ratios of total borrowings and bonds payable to total assets exceeded 60 per cent dropped by 0.5 percentage points from 12.2 per cent at the end of the previous year to 11.7 per cent at the end of 2001, and that of those with the ratios of less than 20 per cent rose by 3.6 percentage points to 33.7 per cent.

Broken down by type of manufacturing sector, the financial structure of most enterprises as of the end of 2001 appeared better than at the previous year-end. The debt ratios for small and medium enterprises and domestic enterprises whose exports make up less than half of

[Table 6] Financial Stability in Manufacturing

Unit : per cent

	Debt ratio		Total borrowings and bonds payable to total assets		Current Ratio	
	2000	2001	2000	2001	2000	2001
Manufacturing	210.6	182.2	41.2	39.8	83.2	97.9
Large enterprises	224.6	201.6	43.6	42.0	71.0	84.9
Small & medium enterprises	179.7	144.7	35.0	34.6	114.6	124.0
Export enterprises	274.1	254.2	46.7	46.1	69.6	90.7
Domestic enterprises	182.3	152.1	38.0	36.1	93.5	102.2
Information Technology manufacturing	137.4	115.6	32.6	30.4	86.2	104.0
Non-Information Technology manufacturing	238.2	205.9	42.1	42.1	82.5	96.6

their total sales fell more than those for large enterprises and export enterprises whose exports make up more than half of their total sales.

Despite the worsened profitability, the ratio of total borrowings and bonds payable to total assets in the information technology(IT) manufacturing sector dropped (32.6 per cent → 30.4 per cent) due to the repayment of borrowings, but the comparable ratio for manufacturing companies other than in the IT sector remained unchanged at 42.1 per cent as at the end of the previous year.

Broken down by business line, the debt ratio rose for manufacturers of Office & computing machinery, which posted large scale deficits, for those of Medical & precision equipment, some of which went bankrupt. However, most businesses saw their debt ratios drop from the end of the previous year thanks to the increase of stock issuance, debt for equity swaps, and the redemption of debts. Meanwhile, debt ratios still hovered above 200 per cent in Leather & footwear(212.1 per cent), Pulp & paper (200.3 per cent), Motor vehicles(1,737.2

[Table 7] **Financial Stability by Manufacturing Sector**

Unit : per cent

	Debt ratio		Total borrowings and bonds payable to total assets	
	2000	2001	2000	2001
Manufacturing	210.6	182.2	41.2	39.8
Food & beverages	228.6	179.7	44.2	40.4
Textiles	246.0	189.8	47.6	46.4
Wearing apparel	260.5	142.0	40.5	33.2
Leather & footwear	214.1	212.1	36.9	36.6
Wood & wood products	152.3	164.2	38.9	40.5
Pulp & paper	209.0	200.3	49.3	46.8
Publishing & printing	176.7	171.4	32.2	30.7
Petroleum refining	181.6	180.8	39.4	44.1
Chemicals	153.5	135.5	40.5	38.3
Rubber & plastic	160.6	146.8	37.5	35.1
Non-metallic mineral products	163.3	149.7	41.2	37.6
Basic metals	173.7	142.1	35.6	36.6
Fabricated metal products	165.2	144.2	32.8	30.6
Machinery & equipment	159.3	144.5	33.2	33.5
Office & computing machinery	90.4	153.4	22.3	34.1
Electrical machinery	131.0	107.4	31.3	30.4
Radio · TV & communications equipment	139.4	107.9	33.5	29.1
Medical & precision equipment	168.3	196.9	37.2	41.4
Motor vehicles	2,600.6	1,737.2	59.4	60.6
Shipbuilding & other transport	705.3	668.3	53.1	46.4
Furniture & manufacturing n.e.c.	209.0	138.8	34.0	28.9

per cent) and Shipbuilding & other transport(668.3 per cent).

2. Non-manufacturing

The Construction industry saw reductions from the end of 2000 in the debt ratio (625.8 per cent → 352.5 per cent) and the ratio of total borrowings and bonds payable to total assets (47.1 per cent → 34.7 per cent). This was because of debt for equity swaps, the liquidation of ailing companies, and improvements in profitability. And the current ratio rose to 136.5 per cent from 124.7.

In Wholesale & retail trade, there were decreases from the end of 2000 in the debt ratio(463.8 per cent → 448.7 per cent) and the ratio of total borrowings and bonds payable to total assets(42.4 per cent → 41.2 per cent) mainly owing to debt for equity swaps. However, the current ratio worsened to 94.8 per cent from 98.5 per cent.

Meanwhile, Transport and Telecommunications saw a rise in both the debt ratios and the ratios of total borrowings and bonds payable to total assets. This was because of the continued deficits for Transport and the borrowings of investment funds for Telecommunications.

[Table 8] Indicators of Financial Stability by Industry

Unit : per cent

	Debt ratio		Total borrowings and bonds payable to total assets		Borrowings to sales		Current ratio	
	2000	2001	2000	2001	2000	2001	2000	2001
Fishing	129.3	152.1	31.7	40.5	38.6	46.6	103.9	71.2
Mining	345.5	303.5	49.6	55.9	117.1	123.4	52.7	72.6
Manufacturing	210.6	182.2	41.2	39.8	42.7	40.1	83.2	97.9
Electricity · gas & steam	102.6	112.1	37.7	38.1	108.8	109.5	41.8	63.1
Construction	625.8	352.5	47.1	34.7	50.6	31.3	124.7	136.5
Wholesale & retail trade	463.8	448.7	42.4	41.2	16.8	17.7	98.5	94.8
Transport	302.3	318.8	47.1	49.6	54.6	56.3	65.7	70.8
Telecommunications	116.0	128.0	29.9	35.8	56.2	64.9	61.5	71.8
Business activities	115.0	100.0	16.6	13.2	13.0	9.6	133.7	156.3
Recreational · cultural & sporting activities	143.7	143.6	21.2	19.1	40.6	41.3	91.6	95.6

Ⅲ. Profitability

1. Manufacturing

During the year 2001, the ratio of operating income to sales in the manufacturing industry dropped by 1.9 percentage points from 7.4 per cent in 2000 to 5.5 per cent, marking the lowest level since the Bank began to compile Financial Statement Analysis statistics in 1961.

The ratio of ordinary income to sales fell by 0.9 percentage points from 1.3 per cent in the previous year to 0.4 per cent, showing a surplus on the ordinary balance despite a sharp fall in the ratio of operating income to sales.

The reasons for a surplus on the ordinary balance were the fall of the ratio of financial expenses to sales (4.2 per cent) to its lowest level since 1965 (3.9 per cent), which resulted from a drop in interest rates, and the recording of profits on securities valuations and disposals(0.1 per cent to sales) in the wake of a hike in stock prices. Another reason behind the drop was a reduction in net foreign exchange losses.

Meanwhile, the steep drop in the ratio of operating income to sales in the manufacturing industry during 2001 from the previous year was largely ascribable to rapidly mounting fixed costs despite poor sales. Viewing this development in more detail, the ratio of material costs to sales edged down from the previous year's 50.0 per cent to 49.8 per cent, but the comparable share went up for labor costs (9.7 per cent → 10.0 per cent), depreciation costs (0.5 per cent → 0.6 per cent), and expenses for transport & cargo handling (1.8 per cent → 2.0 per cent).

[Table 9] Profitability Trends in Manufacturing[1)]

Unit : per cent

	1997	1998	1999	2000	2001	U.S (2001)	Japan (2000)
Operating income to sales	8.3	6.1	6.6	7.4	5.5	4.3	3.8
Non-operating income to sales	-8.6	-8.0	-4.9	-6.1	-5.1	-2.3	0.1
(Net financial expenses to sales)	-4.9	-6.7	-5.4	-3.8	-3.3	-	-
<financial expenses to sales>	-6.4	-9.0	-6.9	-4.7	-4.2	-2.3	-0.7
(Net gains on foreign currency to sales)[2)]	-3.1	0.1	0.3	-0.7	-0.3	-	-
(Net gains on disposal of investments and tangible assets)	-	-	1.0	0.2	0.0	-	-
(Net gains on valuation and disposal of marketable securities)	-	-	0.2	-0.2	0.1	-	-
Ordinary income to sales	-0.3	-1.8	1.7	1.3	0.4	2.0	3.9

Notes : 1) (+) means profit, (-) means loss.
2) Including net gains on foreign currency transactions and translation to sales.
Sources : As for Table 1.

[Table 10] Trends of Cost of Sales in Manufacturing

Unit : per cent

	1997	1998	1999	2000	2001
Cost of sales plus selling & administrative expenses	91.7	93.9	93.4	92.6	94.5
(Materials costs)	48.1	49.4	49.0	50.0	49.8
(Labor costs)	11.4	9.8	9.8	9.7	10.0
(Depreciation)	4.7	5.4	5.5	4.7	4.8
(Bad debt expenses)	0.5	1.4	0.7	0.5	0.6
(Advertising)	1.1	0.7	0.8	0.7	0.8
(Entertainment)	0.2	0.2	0.2	0.2	0.2
(Transport · cargo handling)	2.1	2.1	2.0	1.8	2.0
(Research and development)	1.3	1.6	1.3	1.2	1.3
Operating income	8.3	6.1	6.6	7.4	5.5

[Table 11] Trend of Interest Coverage Ratio in Manufacturing

Unit : per cent

1997	1998	1999	2000	2001
129.1	68.3	96.1	157.2	132.6

Among the companies surveyed, the share of those which saw their ratio of operating income to sales fall was 55.2 per cent, and that of those which saw the ratio rise was 43.4 per cent.

The interest coverage ratio(operating income/financial expenses) in the manufacturing industry during 2001 was 132.6 per cent, down 24.6 percentage points from 157.2 per cent in 2000. This was attributable to a sharp fall in operating income despite a reduction in financial expenses.

Looking at the distribution of profitability among the 2,175 manufacturing companies surveyed, the proportion of companies whose ratios of ordinary income to sales stood between 0 per cent and 10 per cent dropped by 4.0 percentage points from 66.9 per cent to 62.9 per cent. Meanwhile, the proportion of companies whose ratios stood at over 10 per-

[Table 12] Distribution of Ordinary Income to Sales in Manufacturing

Unit : per cent

Ordinary income to sales		below -20%	-20~-10%	-10~0%	0~10%	10~20%	over 20%
proportion of enterprises	1999	7.8	4.3	7.7	64.2	12.9	3.1
	2000	4.6	3.7	10.0	66.9	11.3	3.5
	2001	6.2	5.0	9.3	62.9	13.2	3.4

[Table 13] Ordinary Income to Sales in Manufacturing by Quartiles

Unit : per cent

	1997	1998	1999	2000	2001
1st Quartile	3.7	4.8	7.3	6.8	7.1
2nd Quartile(Median)	1.5	1.9	3.2	3.0	2.9
3rd Quartile	-0.7	-2.8	0.7	0.8	0.6

cent was 16.6 per cent, up 1.8 percentage points from the previous year, and that of companies whose ratios were negative was 20.5 per cent, up 2.2 percentage points.

Considering the ratios of ordinary income to sales for the manufacturing companies surveyed during the year 2001 by quartiles, the first quartile rose from 6.8 per cent in 2000 to 7.1 per cent in 2001. In contrast, the third quartile dropped from 0.8 per cent in 2000 to 0.6 per cent in 2001, widening the gap in yi eld rates among companies.

As for the distribution of interest coverage ratio among the manufacturing companies surveyed, the proportion of companies registering below 100 per cent went up from the previous year's 26.3 per cent to 28.6 per cent. Meanwhile, the proportion of companies with a less than 100 per cent net interest coverage ratio, which takes interest income into account, climbed by 2.2 percentage points from the previous year's 21.0 per cent to 23.2 per cent.

Viewing the interest coverage ratio by quartiles, the first quartile(584.5 per cent)

[Table 14] Distribution of Interest Coverage Ratio in Manufacturing[1)]

Unit : per cent

Interest coverage ratio		below 0%	0~50%	50~100%	100~150%	150~200%	over 200%
proportion of enterprises	1999	14.3	7.8	10.5	15.6	10.6	38.6
	2000	11.3	6.1	8.9	14.1	10.3	46.6
	2001	14.1	6.0	8.5	13.0	9.1	46.4

Note : 1) Excluding enterprises whose financial expenses are zero.

[Table 15] Interest Coverage Ratio in Manufacturing by Quartiles

Unit : per cent

	1997	1998	1999	2000	2001
1st Quartile	207.1	202.6	329.9	452.3	584.5
2nd Quartile(Median)	118.1	109.7	151.3	186.8	195.9
3rd Quartile	54.7	28.7	63.1	92.1	81.1

[Table 16] Indicators of Profitability in Manufacturing[1)]

Unit : per cent

	operating income		net-financial expenses		net gains on foreign currency		ordinary income	
	2000	2001	2000	2001	2000	2001	2000	2001
Manufacturing	7.4	5.5	3.8	3.3	-0.7	-0.3	1.3	0.4
Large enterprises	8.2	6.0	4.6	4.1	-0.9	-0.4	0.3	-0.6
Small & medium enterprises	5.8	4.5	2.0	1.7	-0.1	0.0	3.3	2.2
Export enterprises	8.3	4.2	4.4	4.4	-0.5	-0.1	-0.3	-3.5
Domestic enterprises	6.9	6.3	3.4	2.7	-0.7	-0.3	2.3	2.5
Information Technology manufacturing	11.6	2.5	2.7	2.5	-0.6	-0.1	6.9	-3.3
Non-Information Technology manufacturing	6.1	6.3	4.1	3.5	-0.7	-0.3	-0.4	1.3

Note : 1) (+) means profit, (-) means loss.

and the second quartile(195.9 per cent) rose sharply, compared with their 452.3 per cent and 186.8 per cent, respectively, in 2000. On the other hand, the third quartile(81.1 per cent) was lower than the previous year's 92.1 per cent, but higher than the 63.1 per cent in 1999.

Considering profitability by sector during the year 2001, the ratio of operating income to sales of export enterprises and IT-related manufacturing enterprises fell sharply, lower than that of domestic enterprises and non-IT manufacturing enterprises.

In particular, the ratio of operating income to sales of non-IT manufacturing enterprises increased slightly(6.1 per cent → 6.3 per cent), but that of IT-related companies fell sharply(11.6 per cent → 2.5 per cent). By company size, the ratio of operating income to sales of large enterprises dropped by a bigger margin than small & medium enterprises.

The reduction effects of the ratio of financial expenses to sales were greater for large enterprises than small & medium enterprises, domestic enterprises than export enterprises and non-IT manufacturing enterprises than IT-related manufacturing enterprises.

By business line, Office & computing machinery posted big deficits owing to sluggish sales of PCs, and Radio · TV & communications equipment, Petroleum refining, and Pulp & paper shifted into a deficit. On the other hand, the profitability of Motor vehicles, Shipbuilding & other transport, Basic metals, Food & beverages improved, boosted by favorable sales and reduced financial expenses.

[Table 17] Profitability by Manufacturing Sector

Unit : per cent

	Ordinary income to sales		Interest coverage ratio	
	2000	2001	2000	2001
Manufacturing	1.3	0.4	157.2	132.6
Food & beverages	2.8	4.0	151.0	170.8
Textiles	-1.2	-1.3	86.4	80.6
Wearing apparel	0.7	5.1	163.5	293.6
Leather & footwear	-0.3	2.0	94.4	198.0
Wood & wood products	2.2	-0.3	142.6	136.1
Pulp & paper	1.9	-1.3	133.0	132.3
Publishing & printing	5.8	2.9	211.7	241.9
Petroleum refining	0.0	0.0	149.6	114.6
Chemicals	2.2	1.9	136.7	174.7
Rubber & plastic	3.9	2.4	170.6	225.0
Non-metallic mineral products	-0.4	-0.5	121.1	160.5
Basic metals	1.8	3.2	187.8	183.9
Fabricated metal products	2.3	3.7	150.4	191.7
Machinery & equipment	3.1	2.9	126.8	173.0
Office & computing machinery	6.5	-9.1	485.8	-249.2
Electrical machinery	4.9	4.7	244.2	234.0
Radio · TV & communications equipment	7.2	-3.2	355.6	91.5
Medical & precision equipment	1.7	0.6	152.6	159.9
Motor vehicles	-3.9	-0.8	56.0	97.2
Shipbuilding & other transport	-20.0	-0.7	62.4	104.7
Furniture & manufacturing n.e.c.	2.6	1.7	143.8	150.7

2. Non-manufacturing

In the Construction industry in 2001, the ratio of operating income to sales rose from the previous year's 3.0 per cent to 4.3 per cent owing to a recovery of the construction business. Though the deficit range in the ratio of ordinary income to sales also narrowed from the previous year's -3.9 per cent to -1.3 per cent, construction remained in a deficit on ordinary income for the fifth year in a row

[Table 18] Profitability Trends in Construction

Unit : per cent

	1997	1998	1999	2000	2001
Operating income to sales	4.7	2.0	2.4	3.0	4.3
(cost of sales/sales)	89.0	91.3	90.4	89.0	88.4
Ordinary income to sales	-0.1	-4.6	-3.1	-3.9	-1.3
(financial expenses/sales)	6.0	7.6	6.3	5.1	3.6
Interest coverage ratio	78.4	26.7	37.7	59.6	118.7

[Table 19] Profitability Trends in Wholesale & Retail Trade

Unit : per cent

	1997	1998	1999	2000	2001
Operating income to sales	1.3	1.1	-1.7	1.8	2.6
(cost of sales/sales)	90.6	92.2	90.6	89.0	87.6
Ordinary income to sales	-0.3	-0.3	-4.9	0.0	0.8
(financial expenses/sales)	2.1	2.7	2.6	2.0	1.8
Interest coverage ratio	62.6	40.0	-67.5	90.3	142.6

owing to stiff price competition among companies since 1997.

For the Wholesale & retail trade, the ratio of operating income to sales rose by 0.8 percentage points from the previous year to 2.6 per cent in 2001 and the ratio of ordinary income to sales posted 0.8 per cent in the black. This was largely ascribable to the shift of the former Daewoo Corp. from a huge ordinary deficit into surplus and the favorable business performance of department stores and discount stores. The Wholesale & retail trade recorded the highest levels in the ratio of operating income to sales and the ratio of ordinary income to sales since 1983 (2.6 per cent) and 1991 (0.8 per cent), respectively.

Besides, Mining recorded an ordinary deficit for the thirteenth straight year since 1989, and Transport again posted an ordinary deficit, following on from the previous year. Owing to the sluggishness of the IT sector, the ratio of ordinary income to sales in Business activities fell.

On the other hand, Telecommunications(8.5 per cent→ 11.6 per cent) and Electricity · gas & steam(12.3 per cent → 12.5 per cent) saw the ratio of ordinary income to sales rise due to reduced sales

[Table 20] Indicators of Profitability by Industry

Unit : per cent

	Ordinary income to sales			Interest coverage ratio		
	1999	2000	2001	1999	2000	2001
Fishing	3.8	4.9	4.3	106.5	259.8	197.3
Mining	-13.2	-1.9	-0.8	-12.8	-12.0	-22.0
Manufacturing	1.7	1.3	0.4	96.1	157.2	132.6
Electricity · gas & steam	11.0	12.3	12.5	257.5	257.0	332.9
Construction	-3.1	-3.9	-1.3	37.7	59.6	118.7
Wholesale & retail trade	-4.9	0.0	0.8	-67.5	90.3	142.6
Transport	3.6	-3.1	-2.0	91.0	92.6	67.6
Telecommunications	5.7	8.5	11.6	189.9	234.7	325.2
Business activities	6.7	5.2	2.9	452.3	458.5	414.5
Recreational · cultural & sporting activities	10.3	8.2	8.1	272.6	216.8	259.9

expenditures and a hike in electric power charges, respectively. For its part, Recreational · cultural & sporting activities maintained a high ratio of ordinary income to sales.

Ⅳ. Growth

1. Manufacturing

During the year 2001, the year-on-year growth rate of the manufacturing industry remained at a mere 1.7 per cent, the lowest level apart from 1998(0.7 per cent) since the Bank of Korea began to compile these statistical data in 1961.

In particular, the export amounts (Korean won basis) rose by a mere 0.5 per cent owing to a steep fall in dollar-denominated exports, despite a depreciation against the U.S. dollar. The sales of IT-related manufacturing shifted from a 24.6 per cent increase in the previous year to a 7.9 per cent drop, acting as the biggest factor behind the slowdown of the manufacturing growth.

The total assets and tangible assets of the manufacturing sector fell by 1.8 per cent and 1.5 per cent, respectively, from the end of the previous year owing to sluggish facilities investment amid uncertainties over economic prospects.

All of the quartiles of the growth rates of sales of the manufacturing companies surveyed during the year 2001 dropped sharply from the previous year, indicating that most companies suffered from poor sales.

[Table 21] Manufacturing Growth Trends

Unit : per cent

	1997	1998	1999	2000	2001
Growth rate of sales	11.0	0.7	8.0	15.2	1.7
(Export)	19.2	29.6	1.8	15.4	0.5
(Domestic)	7.2	-14.9	12.6	15.1	2.5
Growth rate of total assets	22.4	3.5	2.8	-0.8	-1.8
Growth rate of tangible assets	13.7	17.2	0.0	2.4	-1.5

[Table 22] Growth Rates of Sales in Manufacturing by Quartiles

Unit : per cent

	1997	1998	1999	2000	2001
1st Quartile	20.5	17.5	29.1	24.9	15.6
2nd Quartile(Median)	6.9	-3.2	8.0	9.6	3.7
3rd Quartile	-4.7	-23.3	-6.8	-2.3	-7.8

[Table 23] Growth in Manufacturing

Unit : per cent

	Growth rate of sales		Growth rate of tangible assets	
	2000	2001	2000	2001
Manufacturing	15.2	1.7	2.4	-1.5
Large enterprises	16.7	0.8	-1.0	-3.3
Small & medium enterprises	12.5	3.4	15.0	4.3
Export enterprises	15.1	-4.0	4.2	-5.0
Domestic enterprises	15.3	5.2	1.4	0.7
Information Technology manufacturing	24.6	-7.9	13.7	-5.6
Non-Information Technology manufacturing	12.6	4.8	0.1	-1.4

[Table 24] Growth by Manufacturing Sector

Unit : per cent

	Growth rate of sales		Growth rate of tangible assets	
	2000	2001	2000	2001
Manufacturing	15.2	1.7	2.4	-1.5
Food & beverages	3.4	5.8	-0.8	3.0
Textiles	1.4	-0.8	7.6	-2.6
Wearing apparel	9.9	3.8	4.5	1.9
Leather & footwear	-0.3	5.3	2.6	-6.2
Wood & wood products	6.7	15.7	5.3	4.9
Pulp & paper	12.8	-0.2	3.5	-2.0
Publishing & printing	16.7	5.8	0.0	1.9
Petroleum refining	32.9	-1.0	0.1	-2.4
Chemicals	17.8	7.0	0.1	-2.3
Rubber & plastic	14.4	5.0	8.0	-3.3
Non-metallic mineral products	6.5	7.8	-5.0	-2.8
Basic metals	11.8	0.5	-9.4	-0.8
Fabricated metal products	13.6	2.8	11.6	5.3
Machinery & equipment	9.1	4.7	6.2	3.6
Office & computing machinery	47.7	-15.1	35.4	14.8
Electrical machinery	12.4	2.0	27.8	4.5
Radio · TV & communications equipment	23.5	-9.0	13.6	-8.8
Medical & precision equipment	5.2	3.4	3.1	-1.4
Motor vehicles	19.7	10.8	-0.3	0.3
Shipbuilding & other transport	0.0	11.8	-1.6	-0.1
Furniture & manufacturing n.e.c.	11.6	2.4	7.1	4.9

By sector, the sales of IT manufacturing enterprises(-7.9 per cent) and export enterprises(-4.0 per cent) decreased from the previous year, and the sales growth rate of non-IT manufacturing enterprises(12.6 per cent → 4.8 per cent) and domestic enterprises(15.3 per cent → 5.2 per cent) slowed down remarkably.

By company size, the reduction in the rate of sales growth for large enterprises(15.9 percentage points) was bigger than that (9.1 percentage points) of small & medium enterprises.

Small & medium enterprises(4.3 per cent) and domestic enterprises(0.7 per cent) saw their tangible assets increase slightly from the previous year, but large enterprises(-3.3 per cent) and export enterprises(-5.0 per cent) saw their drop.

By business line, most fields of industry, except Food & beverages, Leather & footwear, Non-metallic mineral products, Shipbuilding & other transport saw a reduction the volume of their sales or a slowdown in the rate of their sales growth.

In particular, the sales of Radio · TV & communications equipment and Office & computing machinery decreased sharply owing to a fall in semiconductor prices and the sluggish PC market. Textiles, Pulp & paper, and Petroleum refining also saw their sales decline. Motor vehicles for their part saw a relatively high rate of growth in their sales, stimulated by a rise in export unit prices.

2. Non-manufacturing

During the year 2001, sales witnessed rapid growth compared with the previous year in the Construction(5.9 per cent) and Fishing(5.8 per cent) sectors due to the recovery of the construction business and higher price for fish, respectively. However, other fields of industry

[Table 25] Growth by Industry

Unit : per cent

	Growth rate of sales		Growth rate of tangible assets	
	2000	2001	2000	2001
Fishing	-0.3	5.8	12.5	0.2
Mining	6.5	3.1	14.0	4.5
Manufacturing	15.2	1.7	2.4	-1.5
Electricity · gas & steam	20.9	11.3	1.7	3.3
Construction	-1.8	5.9	10.9	-10.0
Wholesale & retail trade	8.9	-4.0	12.1	7.8
Transport	10.9	5.2	11.2	-5.9
Telecommunications	18.6	12.7	20.2	0.0
Business activities	26.4	9.5	19.1	1.1
Recreational · cultural & sporting activities	33.2	4.7	14.2	8.8

saw the rate of their sales growth slacken or their sales volume decline.

The growth rate of tangible assets fell from the previous year in most industries, except Electricity · gas & steam(3.3 per cent). In particular, the tangible assets of Construction and Transport dropped by 10.0 per cent and 5.9 per cent, respectively, from the end of the previous year.

Organization of the Bank of Korea

(As of June 2002)

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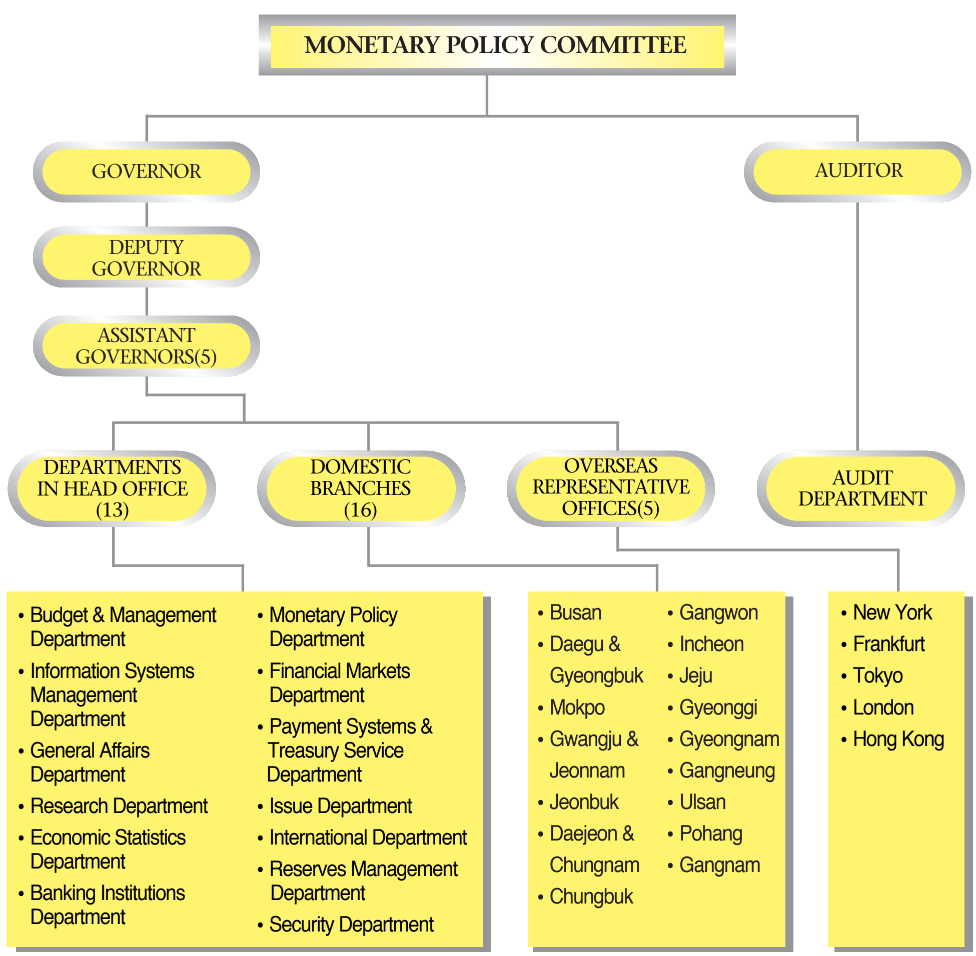
Seung Park, Chairman
Won-Tai Kim
Hoon Namkoong
Byung-Il Kim
Tae-Dong Kim
Woon-Youl Choi
Kun-Kyong Lee

Governor
Seung Park

Deputy Governor
Cheul Park

Assistant Governor
Seong-Tae Lee
Hyung-Moon Kang
Sung-Il Lee
Chang-Ho Choi
Jae-Ouk Lee

Auditor
Woo-Suk Kim



The Bank of Korea's Internet Web Site

1. Press releases and selected data from statistical series - National Accounts, etc - are posted on the Bank of Korea's Web Site (http://www.bok.or.kr)

2. Internet Web Site Menus are set out below :

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  - Principal Economic Indicators
- Currency

List of Publications

Periodical

Title	Frequency	Language	Dissemination Type*
Annual Report	Annually	English	P, O
Quarterly Bulletin	Quarterly	English	P, O
Monthly Bulletin	Monthly	Korean	P, O
Working Paper	Occasionally	Korean	P
Economic Analysis	Quarterly	Korean	P, O
Economic Papers	Semiannually	English	P, O
Finance and Economics Working Paper	Occasionally	Korean	P
Financial System Review	Semiannually	Korean	P, O

* Notes : P : printed publication, O : available on-line at the Bank of Korea's web site

Statistics

Title	Contents	Frequency	Dissemination Type*
Monthly Statistical Bulletin	Major national economic statistics covering money and banking, prices, balance of payments, foreign trade, industry, employment, national accounts, etc.	Monthly	P, B
Economic Statistics Yearbook	Statistics included in the Monthly Statistical Bulletin and others	Annually	P, B
Principal Economic Indicators	Principal indicators and the statistics included in the Monthly Statistical Bulletin	Semimonthly	B
Money & Banking Statistics	Statistics on monetary aggregates(M1, M2, M3, MCT, etc.), the principal accounts of DMBs and other financial institutions, capital market trends, principal interest rates, etc.	Monthly	P, B

Title	Contents	Frequency	Dissemination Type*
Regional Financial Statistics	Statistics on the issuance and withdrawal of banknotes and coin by BOK's branches, the deposits and loans of BOK, DBMs, other financial institutions by province, etc.	Monthly	P
Balance of Payments	Current account, capital account, financial accounts, exports & imports by type of goods, indexes of foreign trade and terms of trade, etc.	Monthly	P, B
Price Statistics Summary	Brief review of price movements, statistical compilation procedures and statistics on the producer price index for 949 commodities, and export and import price indexes for 220 and 223 goods.	Every 5 years	P
Monthly Prices	Brief analysis of price movements and statistics on producer price index, export price index, import price index and prices of major world trade commodities, etc.	Monthly	P, B
Input-Output Tables	Outline of compilation method, inter-industrial structure of the Korean economy, transactions tables, input coefficients matrices, production inducements coefficients matrices, supporting tables	Every 5 years	C
National Accounts	Principal indicators of national accounts, consolidated accounts for the nation, income accounts by institutional sector, capital finance account by institutional sector, supporting tables	Annually	P, B, C
Gross Domestic Product	Gross domestic product by kind of economic activity, expenditure on gross domestic product	Quarterly	P, B

Title	Contents	Frequency	Dissemination Type*
Financial Statement Analysis	Summary of survey results, description of survey methods, explanation of company accounts and financial analysis ratios, statistics of estimated balance sheets, income statements, statistics of cost of goods manufactured, funds flow statements and financial ratios, series of major countries' financial analysis ratios, etc.	Annually	P, B
Flow of Funds	Financial surpluses and deficits by economic sector, fund raising and investment by non-financial sectors, the financial sector's sources and uses of funds, accumulation of financial assets	Quarterly	P, B

* Notes : P : printed publication,
B : on-line database system (BOKIS, accessible via the Bank of Korea' s Web Site),
C : CD-ROM

Serial No.	Title
2002-1	Why have Economic Indicators Moved in Mutually Contradictory Directions?
2002-2	Currents of Industrial Development in the 21st Century with Special Reference to Korea
2002-3	Studies of Private Sector Economy in North Korea
2002-4	Evaluation of Post Crisis Financial and Corporate Restructuring in Korea and the Tasks Still Ahead
2002-5	Status of Venture Business in the Regions and Associated Policy Options

* Published in Korean only.

Titles of Articles Appearing in Monthly Bulletin*

April ~ June 2002

April 2002

- The Redefined Monetary Aggregates
- The National Accounts for 2001
- The Balance of Payments in 2001

May 2002

- Effect of Changes in Terms of Trade on Economic Growth
- Financial Statement Analysis for 2001

June 2002

- Governor's Speech on the 52nd Anniversary of the BOK's Foundation
- The Central Bank's Role in Financial Stability
- Implication of U.S. and Japanese Experience in Coping with Changes in Asset Prices

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Titles of Articles Appearing in Quarterly Bulletin*

March 2000 ~ March 2002

March 2000

- Current Economic and Financial Movements
- The Inflation Target for 2000
- Financial Sector Restructuring in 1999
- Payment and Settlement Trends in 1999

June 2000

- Governor's Speech on the 50th Anniversary of the Bank of Korea's Foundation
- Current Economic and Financial Movements
- Flow of Funds in 1999
- Financial Statement Analysis for 1999

September 2000

- Current Economic and Financial Movements
- The Relationship between Business Survey Results and the Growth Rate of GDP

December 2000

- Current Economic and Financial Movements
- Monetary Policy in a World of Increased Capital Flows
- Flow of Funds in the First Half of 2000

* Entitled 「Quarterly Economic Review」 until March 2000.

March 2001

- Current Economic and Financial Movements
- The Inflation Target and Monetary Policy for 2001
- Financial Sector Restructuring in 2000
- Payment and Settlement Trends in 2000

June 2001

- Governor's Speech on the 51st Anniversary of the Bank of Korea's Foundation
- Current Economic and Financial Movements
- Flow of Funds in 2000
- Financial Statement Analysis for 2000

September 2001

- Current Economic and Financial Movements
- The Structure and the Interindustry Effects of the Korean Economy Based on the Input-Output tables of 1998
- Payment and Settlement Trends in the First Half of 2001

December 2001

- Current Economic and Financial Movements
- Flow of Funds in the First Half of 2001
- Financial Statement Analysis for the First Half of 2001

March 2002

- Current Economic and Financial Movements
- The Inflation Target and Monetary Policy for 2002
- Financial Sector Restructuring in 2001
- Payment and Settlement Trends in 2001