

QUARTERLY BULLETIN

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2002



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QUARTERLY

BULLETIN

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Current Economic and Financial Movements

Summary

During the second quarter of 2002, the Korean economy remained in a recover phase, with prices showing stable movement, and the current account surplus widening somewhat.

GDP grew by 6.3 percent in the second quarter year-on-year due to the more rapid growth of facilities investment and exports, which was only partially offset by a slowdown of consumption and of construction investment. Despite the improved terms of trade, the year-on-year growth rate of real gross national income (GNI) slowed to 6.2 percent owing to the expanded deficit on real net factor income from the rest of the world.

The employment situation improved significantly with the unemployment rate falling to 2.9 percent in the second quarter mainly owing to an increase in the numbers employed in the wholesale & retail, restaurants & hotels sector and

in business, personal and community services, coupled with a sharp rise in employment in the agricultural, forestry, and fishery sector, boosted by the advent of the busiest period for farming. The unemployment rate dropped by 0.2 percentage points from the second quarter to 2.7 percent in July with a steady expansion of the numbers employed in the wholesale & retail, restaurants & hotels sector and in other service industries.

The current account registered a surplus of 1.8 billion dollars in the second quarter, a slight rise from the previous quarter. This increase was largely attributable to the widened surplus on the goods account, which offset the larger deficits on the service and income accounts. For July, the current account posted a surplus of 0.03 billion dollars.

Consumer prices sustained the constant downward trend in the second quarter following the latter half of the

previous year. The stabilized trend continued in July due to a reduction in electricity charges and gasoline prices coupled with stable prices of agricultural products. In August, however, the year-on-year rate of increase shifted to a rise, affected by a spike in prices for vegetables following a localized torrential downpours.

In the second quarter, the call rate in the financial market remained at the 4.0 percent level, the Bank of Korea's target. From May 7 when the central bank raised its policy rate target to 4.25 percent, however, the call rate moved up around that level. But, long-term market interest rates, which had sustained an upward trend since March, fell in the second quarter, affected by the delayed recovery of the U.S. economy and an improved demand and supply situation in the bond market. The call rate remained at around the central bank's policy rate target (4.25%) in July and August. Long-term market interest rates rebounded briefly in July, but dropped back again owing to worries over possible slower growth of the domestic economy following the sharp fall in U.S. stock prices and a weak dollar.

The Korea Composite Stock Price Index (KOSPI) reached the its high for the year so far of 937.61 on April 18, thereafter it continued a downward trend throughout the second quarter owing to the bearish U.S. stock market and uncertainties over economic prospects both at

home and abroad. Stock prices bounced back briefly early July, but soon shifted to a fall again. As worries over the U.S. financial markets eased somewhat at the end of August, however, stocks regained some of their lost ground.

The Korean won fell back against the U.S. dollar in June, affected by the weak yen and the intervention by the foreign exchange authorities. However, the U.S. dollar subsequently depreciated against major currencies due to growing concerns over a possible double-dip recession in the United States, and the Korean won rose sharply to trade at 1,165.60 won to the dollar on July 22. After this, the exchange value of the won fluctuated, but kept an underlying downward trend to post 1,201.90 won in the U.S. dollar terms at the end of August as the pace of the U.S. dollar's depreciation against other major currencies slowed down.

The growth rate of M2 and MCT+ dropped slightly in May as some funds placed in bank deposits flowed into the markets for the purchase of financial debentures while the government's absorption of liquidity increased sharply owing to an increase in the collection of taxes and the sale of public holdings of Korea Telecom stocks. The growth rate of M3 also slipped slightly in June mainly owing to the slower growth of credit to the private sector by banks in line with lackluster extension of loans of households. The growth rates of M2 and other

monetary aggregates, during July and August, continued their underlying downward trend as liquidity supply through the overseas sector declined due to the outflow of foreign stock investment funds while banks' credit supply to the private sector continued to slow.

Economic Movements

Economic Growth

During the second quarter of 2002, GDP expanded by 6.3 percent year-on-year owing to the faster growth of facilities investment and exports, which served to counteract the slowdown in the growth of the private consumption and construction investment. Meanwhile, the

growth rate of the real GNI registered 6.2 percent, slightly lower than the GDP growth rate, as the deficits on real net factor income from the rest of the world widened, the improvement (2.8%) in the terms of trade notwithstanding.

The rate of increase of final consumption expenditures slowed to 7.3 percent owing to the subdued growth in the private consumption. Private consumption increased by 7.7 percent in the second quarter. Expenditures for semi-durables and services rose sharply, but the growth rate of expenditures for durables, including mobile handsets, computers, and air conditioners, slowed.

Despite the more buoyant trend of facilities investment, the growth rate of fixed investment slowed to 5.6 percent due to slower rate of increase of construction investment. The growth rate of facilities investment rose to 7.4 percent cen-

[Table 1] Growth Rates by Component of Expenditure^{a)}

	2000	2001 ^{p)}				Year	2002 ^{a)}	
		I	II	III	IV		I	II
G D P	9.3	3.7	2.9	1.9	3.7	3.0	5.8	6.3
G N I	3.6	0.5	1.3	-0.1	3.4	1.3	7.7	6.2
Final consumption expenditure	6.7	1.2	3.5	4.3	5.6	3.7	8.0	7.3
Private consumption	7.9	1.5	4.1	4.8	6.6	4.2	8.4	7.7
Government consumption	0.1	-0.7	-0.1	1.0	0.3	0.2	5.5	4.9
Gross fixed capital formation	11.4	-4.0	-4.8	-3.1	4.9	-1.7	6.5	5.6
Equipment	35.3	-8.4	-11.2	-15.7	-3.1	-9.8	3.2	7.4
Construction	-4.1	1.5	1.1	8.2	10.7	5.8	10.1	4.1
Exports of goods and services	20.5	9.0	0.7	-4.1	-1.1	1.0	1.8	11.8
Imports of goods and services	20.0	0.2	-7.2	-5.5	1.1	-2.8	6.2	19.2

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

2) p : preliminary.

tering on general machinery, precision machinery and transportation equipment. The rate of increase of construction investment fell back sharply from the previous quarter to 4.1 percent, largely affected by the subdued growth of investment in buildings and infrastructures.

Exports of goods and services, in real terms, increased by 11.8 percent owing to brisk exports of semiconductors, communication equipment, electric home appliances, and computers, which more than offset the drop in service exports. Meanwhile, imports of goods and services, in real terms, soared by 19.2 percent due to increased imports of raw materials, consumer products, and capital goods, coupled with a rise in the number of Korean residents traveling abroad.

Viewing rates of growth by type of economic activity, that of the construction industry slowed down compared to the previous quarter, but those of manufacturing and services both accelerated their rising pace.

The growth rate of the construction industry dropped from 8.8 percent in the first quarter to 3.7 percent in the second quarter as the rate of increase in building construction slowed and the activity in public construction projects, including roads and subways, continued to be subdued.

The service sector posted 8.4 percent growth, slightly higher than the previous

quarter. Social and personal services continued to show high growth of 13.6 percent, centered on broadcasting and entertainment-related services.

Despite a reduction in the number of foreign tourists, the wholesale & retail, restaurant, and hotel industry expanded by 7.5 percent, slightly higher than the previous quarter, thanks to high growth in the wholesale & retail business prompted by a sharp rise in transactions of export and import goods.

In the meantime, the financing, insurance, real estate and business services industry maintained a relatively high growth of 7.0 percent owing to increases in the real-estate related leasing and brokerage services and in advertising. Helped by a shift of the storage business to positive growth and brisk cargo transportation with increasing quantities of goods being transported, the transportation, storage and communication industry grew by a rapid 7.7 percent.

The electricity, gas, and piped water sector grew by 8.5 percent, boosted by a sharp rise in the use of electricity by the public and private sectors, the increased use of gas for power generation, as well as expanded demand of city gas.

The growth rate of manufacturing rose from the previous quarter to 6.4 percent owing to a substantial rise in the production of electric & electronics products, including semiconductors and communication equipment and of industrial

[Table 2] Growth Rates by Sector of Economic Activity¹⁾

	Unit : percent							
	2000	2001 ^p				Year	2002 ^p	
		I	II	III	IV		I	II
Agriculture, Forestry & Fishing	2.0	-4.1	3.5	1.3	1.5	1.4	7.2	-0.7
Manufacturing	15.9	4.5	2.2	-1.7	2.1	1.7	3.5	6.4
Electricity, Gas & Water	14.0	7.5	4.7	4.3	6.0	5.7	7.7	8.5
Construction	-3.1	2.4	1.5	7.6	9.5	5.6	8.8	3.7
Services	9.5	3.9	4.0	3.8	4.7	4.1	7.8	8.4
(Wholesale and retail trade, restaurants and hotels)	9.8	3.4	3.8	3.8	5.1	4.0	5.8	7.5
(Transport, storage and communication)	17.9	8.2	6.8	7.7	6.8	7.3	9.2	7.7
(Finance, insurance, real estate and business services)	4.9	4.4	4.2	4.2	5.5	4.6	9.2	7.0
(Community, social and personal services)	5.1	3.9	5.8	10.0	9.8	7.3	11.7	13.6
Government & Private Non-Profit Services	0.3	1.2	1.0	0.8	0.6	0.9	0.9	0.8

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

2) p : preliminary.

machinery.

For its part agriculture, forestry, and fishery shifted to a 1.1 percent decline due to sluggishness in the cultivation-related business, centered on barley and vegetables, which the buoyant growth in the livestock sector failed to offset.

Employment and Wages

The employment situation improved significantly in the second quarter. The number of persons unemployed decreased by about 130,000 from the previous quarter to 660,000, and the unemployment rate fell sharply to 2.9 percent. This was attributable to a sharp hike in the number of persons employed in the agricultural, forestry, and fishery sector as

the busiest season for farming drew on, coupled with a steady rise in the numbers employed in the wholesale & retail, restaurant & hotel, business, personal & community services.

In July, the unemployment rate dropped by 0.2 percentage points from the second quarter to 2.7 percent as the number of persons employed in the wholesale & retail, restaurant & hotel sector continued to increase steadily.

Per capita nominal wages rose by 11.0 percent year-on-year during the second quarter, a sharp rise from the previous quarter. By type of remuneration, the rates of increase of regular payments and special cash payments accelerated, and the decline in overtime payments narrowed significantly.

[Table 3] Employment¹⁾ Trends

Unit : million persons, percent

	2002	2001				Year	2002		
		I	II	III	IV		I	II	Jul.
Economically active population ²⁾	22.0 (1.5)	21.4 (0.1)	22.5 (1.6)	22.4 (1.0)	22.4 (1.4)	22.1 (1.1)	22.0 (2.7)	22.8 (1.7)	22.9 (1.6)
Total number of persons in employment ²⁾	21.1 (3.8)	20.4 (0.4)	21.7 (1.9)	21.7 (1.4)	21.7 (1.9)	21.4 (1.4)	21.2 (4.0)	22.2 (2.3)	22.2 (2.2)
(Agriculture, forestry, and fishing)	2.3	1.7	2.4	2.4	2.2	2.2	1.8	2.3	2.3
(Manufacturing)	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.1
(Construction)	1.6	1.4	1.6	1.6	1.7	1.6	1.6	1.8	1.8
(Wholesale, retail, restaurants, and hotels)	5.9	5.7	5.8	5.9	5.9	5.8	5.9	5.9	6.0
(Business, personal, and community services)	4.9	5.2	5.5	5.5	5.5	5.4	5.7	5.8	5.8
Unemployed persons	0.9	1.0	0.8	0.7	0.7	0.8	0.8	0.7	0.6
Unemployment rate	4.1	4.8	3.5	3.3	3.2	3.7	3.6	2.9	2.7
(Seasonally adjusted)	-	(4.1)	(3.7)	(3.6)	(3.4)	-	(3.0)	(3.1)	(3.0)

Notes : 1) Actual figures.

2) Figures in parentheses refer to rates of change on a year-on-year basis.

By industry, wages in most industries, including particularly manufacturing; and financing, insurance and real estate, showed high rates of increase.

[Table 4] Rates of Increase¹⁾ of Nominal Wages

Unit : percent

	2000	2001 ^p				Year	2002 ^p	
		I	II	III	IV		I	II
Nominal wages per worker	8.0	7.8	4.1	4.2	4.6	5.1	8.4	11.0
(Regular Payment)	7.3	7.5	6.5	5.7	5.9	6.3	11.9	12.0
(Overtime Payment)	13.7	5.4	-3.8	-4.9	-2.0	-1.6	-8.2	-2.8
(Special Cash Payment)	8.1	9.8	-1.7	2.7	3.1	3.4	2.3	12.9
(Manufacturing)	8.5	11.2	5.5	4.6	4.7	6.3	7.3	10.7
(Construction)	8.8	-2.1	4.6	-0.4	-2.3	-0.3	9.9	8.6
(Transport, storage, communications)	12.4	2.9	-0.2	1.9	2.9	1.8	4.7	8.3
(Electricity, gas & water)	7.0	19.9	13.0	5.2	23.8	15.5	7.1	6.9
(Finance, insurance and real estate)	6.5	7.2	3.9	5.7	6.1	5.7	8.1	13.3

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

External Transactions

During the second quarter of 2002, exports increased by 5.0 over the same period of the previous year to 40.3 billion dollars, breaking free of their declining trend since the second quarter of the previous year.

Broken down by commodity group, exports of IT related products shifted to a sharp rise as the increasing pace of those of computers and wireless communication equipment accelerated significantly and those of semiconductors turned to

positive growth. Meanwhile, exports of goods other than IT related products saw their declining pace slow remarkably as the rate of decrease of textile exports decelerated while shipbuilding, machinery, and chemical products exports shifted to an increase offsetting a drop in those of automobiles. By export destination, the growth rate of exports to China rose sharply, and those to the United States, EU, and Southeast Asia shifted to an increase. Meanwhile, the declining pace of exports to Japan and Central and South America slowed.

[Table 5] Exports by Sector and Destination¹⁾
(Customs-clearance Basis) Unit : billion US dollars

	Share ²⁾	2001		2002						
		Year	II	Jan.-Jul.	III	IV	I	II	Jul.	Jan.-Jul.
Exports	<100.0>	150.4	38.4	89.9	35.6	36.4	35.7	40.3	13.6	89.5
		(-12.7)	(-11.6)	(-7.5)	(-19.8)	(-19.6)	(-11.1)	(5.0)	(19.0)	(-0.4)
IT related products	<27.0>	(-26.3)	(-28.0)	(-21.4)	(-39.3)	(-27.7)	(-4.8)	(22.8)	(43.0)	(12.0)
Semiconductors	<9.5>	(-45.2)	(-43.0)	(-34.1)	(-63.9)	(-54.5)	(-23.6)	(9.6)	(61.2)	(-2.8)
Computers	<7.3>	(-24.0)	(-26.4)	(-21.6)	(-33.2)	(-22.8)	(0.7)	(31.5)	(37.6)	(17.6)
Wireless communication equipment	<5.3>	(23.0)	(19.1)	(15.4)	(35.9)	(24.9)	(27.1)	(40.1)	(45.4)	(35.3)
non-IT related products	<73.0>	(-6.3)	(-4.4)	(-1.2)	(-9.7)	(-15.8)	(-13.6)	(-0.9)	(11.2)	(-4.8)
Automobiles	<10.2>	(1.4)	(13.2)	(6.0)	(-0.2)	(-8.0)	(10.0)	(-2.2)	(11.0)	(4.5)
Shipbuilding	<6.4>	(17.9)	(17.1)	(42.2)	(3.9)	(-12.7)	(-27.7)	(8.3)	(-3.7)	(-11.0)
Machinery	<6.5>	(-2.9)	(-5.8)	(2.2)	(-10.4)	(-11.3)	(-12.2)	(5.0)	(22.5)	(-0.5)
Iron & steel products	<6.7>	(-11.7)	(-14.3)	(-9.7)	(-13.1)	(-16.0)	(-17.5)	(0.3)	(10.3)	(-6.2)
Chemical products	<7.2>	(-10.9)	(-11.7)	(-6.5)	(-12.2)	(-19.4)	(-8.0)	(6.3)	(16.3)	(1.4)
Textile & Apparel	<10.1>	(-14.0)	(-13.9)	(-12.3)	(-12.8)	(-21.0)	(-14.1)	(-4.6)	(5.5)	(-6.9)
US	<20.7>	(-17.0)	(-16.2)	(-11.5)	(-21.7)	(-26.0)	(-6.8)	(4.8)	(11.4)	(0.5)
Japan	<11.0>	(-19.4)	(-13.4)	(-10.1)	(-28.9)	(-31.8)	(-30.8)	(-13.5)	(20.3)	(-17.6)
EU	<13.0>	(-16.2)	(-16.4)	(-9.7)	(-18.2)	(-29.9)	(-10.6)	(1.9)	(13.8)	(-2.2)
Southeast Asia	<21.1>	(-18.3)	(-17.5)	(-15.3)	(-26.2)	(-19.3)	(-3.4)	(13.2)	(26.1)	(7.5)
China	<12.1>	(-1.4)	(2.6)	(4.5)	(-7.1)	(-9.1)	(4.7)	(17.9)	(31.3)	(14.4)
Central & South America	<6.5>	(3.8)	(9.5)	(13.8)	(-16.0)	(-6.3)	(-30.8)	(-7.8)	(20.7)	(-16.1)

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.

In July, exports increased by 19.0 over the same month of the previous year to stand at 13.6 billion dollars. By item, exports of IT related products, including semiconductors and wireless communication equipment; machinery; chemical goods; and automobiles increased sharply.

During the second quarter, imports rose by 7.8 year on year to 37.2 billion dollars, breaking free of their downward trend since the first quarter of the previous year. By item, imports of raw materials shifted to a slight rise with those of chemical goods turning to an increase and the growth of those of steel products expanding, thereby offsetting the contin-

ued drop in those of crude oil. Imports of capital goods showed a sharp increase that centered on machinery and electric and electronic products. In the meantime, imports of consumer goods, headed by passenger cars, clothing, and livestock products, saw their increasing pace accelerate further.

In July, imports rose by 16.6 to register 12.9 billion dollars. By item, those of consumer goods, including passenger cars and clothing, sustained their high growth rate. Imports of raw materials, led by chemical products and steel goods, and those of capital goods, headed by machinery and electric and electronic products, also registered an increase.

[Table 6] Imports by Sector and Use¹⁾
(Customs-clearance Basis) Unit : billion US dollars

	Share ²⁾	2001			2002					
		Year	II	Jan.-Jul.	III	IV	I	II	Jul.	Jan.-Jul.
Imports	<100.0>	141.1 (-12.1)	34.5 (-13.4)	83.7 (-9.3)	34.2 (-15.5)	34.3 (-17.1)	33.7 (-11.5)	37.2 (7.8)	12.9 (16.6)	83.8 (0.2)
Consumer goods	<11.8>	16.6 (3.5)	4.0 (-2.5)	9.1 (1.0)	4.2 (1.7)	4.6 (9.0)	4.4 (17.6)	4.9 (22.2)	1.7 (28.7)	11.1 (21.2)
Raw materials	<51.0>	71.9 (-8.9)	18.0 (-5.4)	43.4 (-4.2)	17.4 (-10.3)	16.8 (-20.3)	17.0 (-14.0)	18.2 (0.5)	6.2 (9.2)	41.2 (-5.0)
Crude oil	<15.1>	(-15.3)	(-1.9)	(-4.9)	(-18.1)	(-39.1)	(-32.2)	(-14.9)	(0.9)	(-21.2)
Iron & steel products	<3.6>	(-16.3)	(-19.0)	(-22.0)	(-16.0)	(-3.6)	(13.0)	(24.5)	(26.1)	(20.0)
Chemical products	<8.0>	(-4.8)	(-3.6)	(-1.7)	(-6.5)	(-9.8)	(-5.3)	(7.3)	(16.5)	(3.1)
Capital goods	<37.2>	52.5 (-19.7)	12.5 (-25.1)	31.2 (-17.9)	12.5 (-25.7)	13.0 (-19.8)	12.3 (-15.6)	14.2 (13.6)	5.1 (22.7)	31.5 (1.2)
Electric & electronics products	<24.0>	(-21.8)	(-24.1)	(-18.6)	(-29.4)	(-23.6)	(-15.2)	(5.8)	(12.0)	(-3.1)
Machinery	<7.6>	(-18.2)	(-30.8)	(-16.7)	(-26.1)	(-14.3)	(-23.9)	(29.0)	(30.3)	(3.3)
For domestic use	<57.0>	(-8.9)	(-13.5)	(-7.9)	(-11.0)	(-10.3)	(-5.7)	(12.9)	(20.0)	(5.5)
For export use	<43.0>	(-16.0)	(-13.1)	(-11.1)	(-20.8)	(-25.0)	(-19.0)	(1.1)	(11.7)	(-6.8)

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.

[Table 7] Balance of Payments: Current Account

Unit : billion US dollars

	2001				2002				
	Year	II	Jan.~Jul.	III	IV	I	II	Jul.	Jan.~Jul.
Current account	8.6	3.8	7.0	1.0	1.1	1.7	1.8	0.03	3.6
Goods	13.4	5.0	9.1	2.9	2.2	3.3	4.4	0.9	8.6
Services	-3.5	-0.6	-1.3	-1.4	-1.2	-1.4	-1.5	-0.8	-3.8
Income	-0.9	-0.5	-0.8	-0.1	0.2	0.0	-0.8	0.3	-0.5
Current transfers	-0.4	-0.1	-0.02	-0.3	0.0	-0.1	-0.3	-0.3	-0.8

The surplus on the goods account (B.O.P. basis) widened to 4.4 billion dollars in the second quarter from 3.3 billion dollars in the first quarter. On the other hand, the deficit on the services account also widened slightly to 1.5 billion dollars. The income account posted a deficit of 0.8 billion dollars owing to the increased payment of dividends. As a result, the surplus on the current account widened slightly from the previous quarter to 1.8 billion dollars.

The current account in July recorded a surplus of 0.03 billion dollars due to a surplus on the goods account whose effects helped offset a worsening of the position on the services account that was led by the travel account.

Prices

The rate of increase of consumer prices year-on-year remained around the 2.5 level, maintaining the downwardly stable movements it had shown since the latter half of the previous year. It accelerated

temporarily to 3.0 in May owing to a rise in prices of agricultural products and petroleum products, as well as housing rents. But, the rise in the CPI dropped back to around the 2.5 level in June, affected by an increase in the seasonal shipments of agricultural products, led by vegetables, and a lowering of the LM (Land-to-Mobile) call rate. Mainly owing to a cut in electricity rates and gasoline prices coupled with a sharp fall in prices of agricultural products, led by vegetables and fruit thanks to favorable weather, the year-on-year rate of increase in the CPI posted 2.1 percent in July, its lowest since May in 2000. In August, however, consumer prices, which had registered a negative growth for two months in a row compared with the previous month, shifted to a sharp increase owing to a surge in vegetable prices following torrential downpours. Viewing the trend of consumer prices by item from the beginning of the second quarter of the year based on the rate of increase over the last month of the preceding period, prices of

agricultural, livestock, and marine products showed an upward trend during April and May due to sluggish shipments of agricultural products in the wake of frequent yellow dust clouds and heavy rains. Prices, however, showed a downward tendency during June and July owing to brisk shipments of vegetables and fruit owing to favorable weather conditions. In August, they again rose by a large margin as vegetable prices surged owing to supply shortfalls in the wake of torrential downpours. Prices of industrial products maintained an upward trend until the second quarter of the year, led by a rise in prices of petroleum products following the run-up in international oil prices, but shifted to a stable trend after July as prices of petroleum products dropped, affected by the strength of the Korean won. Service prices in general maintained a rising trend due to a continued upward movement of housing

rents and charges for personal services despite a lowering of some public utility charges, including LM call rate and electric charges.

Led by a hike in housing rents and charges for personal services, core inflation, which stripped out non-cereal agricultural products and petroleum fractions from the CPI, held to a year-on-year rate of increase around the 3 percent level from the second quarter.

Producer prices, which had shifted to an upward path earlier in the year after having shown a downward trend since the latter half of last year, maintained their rising trend in the second quarter, mainly affected by increases in prices of petrochemical products during April and May, which followed the run-up in international oil prices, coupled with higher charges for services, notably rail fares and other charges for public transportation. Boosted by expanded ship-

[Table 8] Rates of Increase of Consumer Prices¹⁾

Unit : percent

	2000		2001				2002				
	Year	I	II	III	IV	Year	I	II	Jun.	Jul.	Aug.
Consumer Prices	2.8 (2.3)	2.5 (3.6)	0.6 (5.0)	0.5 (4.2)	-0.4 (3.4)	3.2 (4.1)	1.6 (2.5)	0.8 (2.7)	-0.1 (2.6)	-0.3 (2.1)	0.7 (2.4)
Agricultural, livestock and marine products	-2.3	9.4	0.2	3.6	-3.5	9.5	5.7	0.5	-1.4	-2.2	4.6
Industrial products	2.4	0.6	0.6	-0.3	-0.9	0.0	1.1	1.6	0.2	-0.3	0.1
Services	4.3	2.3	0.8	0.3	0.7	4.0	1.0	0.6	0.0	0.1	0.2
Core inflation ²⁾	2.9 (1.9)	1.8 (3.3)	0.7 (3.9)	0.5 (3.7)	0.6 (3.6)	3.6 (3.6)	1.2 (2.9)	0.6 (3.0)	0.0 (2.9)	0.1 (3.0)	0.1 (2.8)

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 the previous year.
2) The CPI after stripping out prices of petroleum fractions and agricultural products except cereals.

ments of agricultural products and more stable prices for industrial products owing to the strength of the Korean won, however, producer prices dropped in June from the previous month, and they continued this downward trend until July. In August, producer prices turned upward again as vegetable prices soared due to sluggish shipments in the wake of torrential downpours and price rises occurred for industrial products, led by chemical goods, and for services, headed by higher air fares. Viewing the trend of producer prices by item from the second quarter of the year based on the rate of increase compared with the last month of the preceding period, prices of agricultural, forest and marine products surged remarkably in May owing to poor shipments of vegetables and fruit following bad weather condition including yellow dust clouds, but dropped during June and July due to increased shipments. In August, producer

prices again showed a high rate of increase, affected by a surge in vegetable prices in the wake of torrential downpours. Manufacturing industry product prices climbed during April and May, led by petrochemical goods, owing to the run-up in international oil prices, but they showed a temporary drop in June as prices of petrochemical products and electronic parts declined, the former because of the won's appreciation against the dollar and the latter because of intensified competition among manufacturers. After remaining flat in July, they rose slightly in August as prices of metal products surged owing to a hike in raw material prices and supply shortfalls following production cutbacks by steel makers. Service prices, which had shown an upward trend during April and May owing to a hike in charges for public transportation, including trains and taxis, dropped during June and July, affected by a fall in

[Table 9] Rates of Increase of Producer Prices¹⁾

	Unit : percent											
	2000	2001				2002						
	Year	I	II	III	IV	Year	I	II	Jun.	Jul.	Aug.	
Producer Prices	1.7 (2.0)	1.1 (2.5)	0.2 (3.1)	-0.5 (2.0)	-1.4 (0.0)	-0.7 (1.9)	1.7 (-0.2)	1.4 (1.2)	-0.3 (1.2)	-0.2 (0.9)	0.3 (1.6)	
Agricultural, forest and marine products	-7.9	9.7	0.4	-3.1	-0.7	6.1	5.9	-0.2	-4.2	-2.8	2.5	
Manufacturing industry products	2.2	0.2	0.2	-0.7	-2.1	-2.3	1.7	1.7	-0.1	0.0	0.2	
Electric power, water, and gas supply	7.9	2.6	1.1	0.0	-0.3	3.5	-2.7	-0.2	-0.2	0.0	0.0	
Services	2.0	1.0	-0.2	0.6	0.2	1.6	1.4	1.0	-0.2	-0.1	0.2	

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 the previous year.

machinery leasing charges and automobile insurance premiums. However, they showed a slight increase again in August mainly owing to an increase in air fares.

Export prices, which had shown an upward trend during the first quarter, continued to rise in April, chiefly driven by petrochemical and steel products. But from May onwards, they dropped for three months owing to the fall in prices of major export items, including semiconductors, affected by the won's appreciation against the dollar and sluggish demand in the wake of delayed recovery of the world economy. In August, however, they shifted to an upturn again, led by petrochemical products in response to rising international oil prices and the renewed weakening of the won against the dollar.

Import prices also maintained an upward trend in April because of higher prices for raw materials, including crude oil and natural rubber. They showed a continued fall after May, however, as prices of raw material including steel and machinery parts dropped due to the weak demand brought about by the delayed recovery of the global economy. In addition

prices of capital and consumer goods showed a declining trend owing to the won's appreciation against the dollar. As the won depreciated against the dollar and international oil prices spiked owing to the greater likelihood of a U.S. attack on Iraq, import prices shifted to an upturn again in August.

Housing prices and housing rents showed a high rate of increase in the first quarter of this year, but their upward movement slowed down significantly in the second quarter, reflecting the slackness of demand in a season not favored for moving house and a series of government's measures to stabilize real estate prices. From July, however, there was a renewed acceleration in both housing prices and rents centered on apartment blocks in Southern Seoul slated for reconstruction. They were driven by rising demand to move ahead of new school term and anticipations of the early reconstruction of some apartment blocks.

Meanwhile, land prices also showed an upward trend in the second quarter, chiefly led by residential and green belt regions in Seoul and Seoul metropolitan areas, owing to a hike in housing prices

[Table 10]

Rates of Increase of Export and Import Prices¹⁾

Unit : percent

	2000		2001				2002				
	Year	I	II	III	IV	Year	I	II	Jun.	Jul.	Aug.
Export prices	4.2	4.2	-1.5	-1.4	-4.2	-3.1	4.1	-6.2	-3.4	-1.8	1.2
Import prices	5.3	4.4	0.4	-3.0	-7.6	-6.2	7.3	-3.6	-3.0	-1.6	1.4

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

[Table 11] Rates of Increase of Real Estate Prices¹⁾

	Unit : percent										
	2000					2001			2002		
	Year	I	II	III	IV	Year	I	II	Jun.	Jul.	Aug.
Housing prices	0.4	0.8	2.2	4.8	1.7	9.9	7.6	2.1	0.4	1.0	1.7
(Apartments in Seoul)	4.2	2.2	4.8	8.6	2.6	19.3	15.0	2.3	0.8	2.6	3.8
Housing rents	11.1	4.9	3.2	6.4	1.1	16.4	7.3	1.6	0.0	0.3	1.0
(Apartments in Seoul)	12.1	6.8	5.2	9.7	0.1	23.4	11.2	1.8	-0.1	1.2	1.9
Land prices	0.7	0.1	0.4	0.3	0.5	1.3	1.8	1.3	-	-	-

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

and the lifting of restrictions on development in green belt areas, but the pace of their rise was slightly lower than in the previous quarter.

Financial Developments

Financial Markets

From early in the second quarter, the overnight call rate hovered around 4.0 percent, the target for it set by the Bank of Korea. This target was, however, raised a notch to 4.25 percent in May in order to avoid a possible build-up of excessive liquidity and ensure the stability of prices. Call market rates responded by fluctuating around this new level. However, yields on Treasury and corporate bonds, which had both maintained an upward trend since March, continued to drop from the beginning of the second quarter owing to a correction of stock

prices, the delay in the recovery of the U.S. economy, and an improved supply and demand situation in the bond market. As of the end of June, yields on Treasury bonds (three-year maturity) and corporate bonds (AA-grade, three-year maturity) dropped from 6.39 percent and 7.07 percent, respectively, at the end of the previous quarter to 5.66 percent and 6.59 percent.

During July and August, the call rate moved around the 4.25 percent level, the target set by the Bank of Korea. Meanwhile, yields on Treasury bonds and corporate bonds rebounded temporarily in late June owing to a mood of caution following their steep fall within a short period, but eased again from mid-July, because of growing worries over a possible slowdown of the domestic economy following sharp drops in U.S. stock prices and the weak U.S. dollar. In consequence, Treasury bonds were yielding 5.45 percent and corporate bonds 6.23 percent by the end of August.

The Korea Composite Stock Price Index

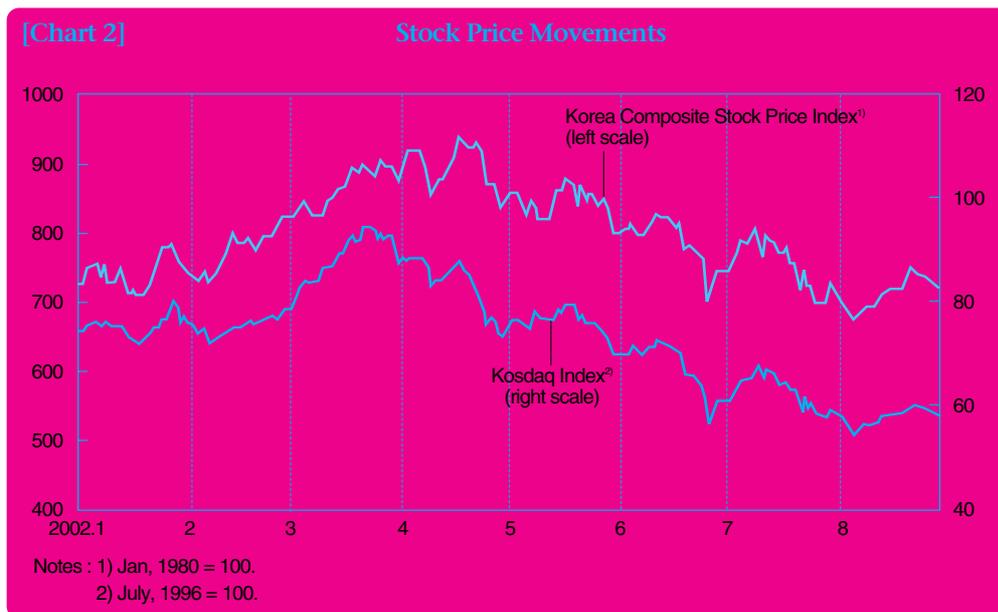


(KOSPI) posted a record high for the year so far of 937.61 points on April 18, after which it maintained a downward trend due to gloom among investors as a result of bearish U.S. stock market and growing uncertainties over economic prospects both at home and abroad. Accordingly, KOSPI fell from 895.58 points at the end of the first quarter to 742.72 at the end of June. The KOSDAQ index also showed similar movements to that of KOSPI, plunging from 92.73 points to 60.85 points over the same period.

The KOSPI and KOSDAQ indexes staged a short-lived rally in early July due to inflows of funds for the purchase of stocks perceived as cheap pricing following the deep fall in stock prices over a short period and expectations of economic recovery in the latter half. After mid-July, the KOSPI and KOSDAQ indexes both began to fall again, affected by

the sell-off of U.S. stocks reaching their respective lows for the year so far of 673.78 and 54.43 points, on Aug. 6. Subsequently, as worries over the unease in U.S. financial markets gradually dissipated, the KOSPI and KOSDAQ indexes rebound, together with U.S. stock prices. So they rose during August to stand at 720.01 and 58.10 points, respectively, at the end of the month.

The exchange rate of the Korean won against the U.S. dollar rose sharply higher again in June as the Japanese yen depreciated against the dollar and the foreign exchange authorities showed their firm determination to prevent a further appreciation of the won against the dollar through persistent intervention. However, as the U.S. dollar lost strength against other major currencies in international financial markets owing to concerns about a possible double-dip recession of



the U.S. economy, the exchange rate plunged to 1,165.60 won(Jul. 22) against the dollar, the lowest since Nov. 20, 2000. Owing to an easing of the dollar's weakening tone, it has since fluctuated around underlying upward trend, posting 1,201.90 won against the dollar at the end of August.

In the meantime, the exchange rate of the Korean won against the Japanese yen rose slightly in June as the appreciation of the yen against the dollar outpassed that of the won. During July and August, the exchange rate showed stable movements as the won acted in concert with the yen's movements. However, the Korean won lost ground against the yen, posting 1,013.94 won per 100 yen at the end of August, as the yen appreciated against the dollar and the phenomenon

whereby the won and the yen had moved in lockstep against the dollar became less strongly marked.

In the meantime, deposits at banks contracted briefly early in the second quarter due to liquidity absorption by the government sector, through for example the collection of corporate and value added taxes. They later shifted to an increase, however, owing to the expanded supply of credit to the private sector, posting an increase of 12 trillion won during the quarter. This, though fell far short of the expansion in the previous quarter(+29 trillion won). The pace of decrease in deposit-taking by banks' trust accounts decelerated sharply. This development was ascribable to the decrease in the withdrawals of funds from maturing New Pension Trusts and Tax-Free House-

[Chart 3] Exchange 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.

hold Trusts and to brisk sales of Specific Money Trust products that were led by those designated for investment in CP. On the other hand, deposit-taking by investment trust companies shifted to a downturn owing to the slow inflow of funds into stock-type financial products following continuing stock price corrections and a drop in sales of MMFs, affected by tax payments and seasonal factors, whereby short-term funds are withdrawn

toward the end of the first half of the year. Deposit-taking by merchant banking corporations also shifted to a downturn due to a massive exit of corporate funds to meet tax payments.

During July and August, deposits at banks increased owing to an expanded supply of liquidity by the government and private sectors. But the decreasing pace of deposit-taking by banks' trust accounts became more marked as the

[Table 12] Growth of Deposits at Financial Institutions

(Change during the period)

Unit : billion won

	2001			2002						
	II	III	IV	I	II	Apr.	May	Jun.	Jul.	Aug.
Deposit money banks ¹⁾	21,893	25,725	4,611	29,005	11,618	-1,244	6,577	6,285	-3,402	9,529
Money-in-trust	-2,752	-424	2,465	-5,299	-683	-173	-225	-285	-622	-353
Investment trust companies	-8,838	26,029	-21,187	15,046	-3,454	-4,018	3,645	-3,081	2,020	4,345
Merchant banking corporations	-42	43	-1,091	1,956	-1,095	-329	90	-856	436	181

Note : 1) Bank deposits + CDs + RPs + Cover bills.

scale of withdrawals at maturity from financial products, such as New Type Accumulated Trusts, widened. However, deposit-taking by investment trust companies increased sharply owing to a substantial rise in their sale of MMFs, as a result of the return of funds that had been temporarily withdrawn at the end of the second quarter for the semi-annual closing of accounts.

Monetary Aggregates

The growth rates of M2 and MCT+ dropped slightly in May as some funds placed in bank deposits flowed into the markets for purchases of financial debentures while the government sector's absorption of liquidity expanded sharply owing to increased tax revenues and the sale of its holdings of stocks in Korea Telecom. The growth rate of M3 also eased slightly in June mainly owing to slower growth of credit to the private sector by banks in line with the lackluster extension of loans to households.

During July and August, the growth rates of M2 and other monetary aggregates continued to slow generally as liquidity supply through the overseas sector declined owing to the net outflow of foreign stock investment funds, which coincided with a slowing of growth in the banks' credit to the private sector.

Corporate Finance

The pace of increase of bank lending accelerated during the second quarter as loans to small and medium-enterprises saw a constant increase owing to their rising demand for short-term working capital following the recovery of economy and banks' efforts to expand their lending. This expansion more or less offset the reduction in bank lending to large enterprises with favorable cash flow. The net issuance of CP showed an upward trend early in the second quarter due to the heightened appetite for CP of banks' Specific Money Trusts and mutual savings, but it shifted to a drop late in the

[Table 13]

Monetary Aggregate Trends

(On the basis of average figures)

Unit : billion won

	2001			2002						
	II	III	IV	I	II	Apr.	May	Jun.	Jul.	Aug.
M3	8.3	10.3	11.5	12.1	13.6	13.7	13.7	13.5	-	-
M2	15.3	12.9	13.7	14.6	14.7	15.7	14.5	13.8	12.3	12.1
MCT+	11.2	12.3	13.6	13.7	14.3	14.8	14.1	14.0	12.3	12.4
Reserve money ¹⁾	10.6	8.87	14.6	15.0	17.0	17.0	17.8	16.3	14.9	15.1
	(28,227)	(29,215)	(31,147)	(32,966)	(33,025)	(33,120)	(33,342)	(32,614)	(33,129)	(33,243)

Note : 1) Figures in parentheses indicate daily averages during the period(billion won).

quarter as a number of financially healthy large enterprises redeemed outstanding CP to improve their debt ratios prior to semi-annual closing. As a result, the increase in the scale of net new issuance during the quarter narrowed compared with the first quarter. The scale of the net redemption of corporate bonds again expanded as a number of financially healthy large enterprises continued to retire maturing corporate bonds to improve their financial structure, taking advantage of their improved cash flow thanks to buoyant business conditions.

In early July, bank lending to large enterprises was boosted by the reextension of short-term loans that had been redeemed by them toward the end of the previous quarter for the semi-annual closing of accounts. However, the scale of the increase in bank lending to small and

medium-sized companies declined due to deferred settlements of commercial paper expired at the end of the previous quarter. As a whole, the growth rate of bank lending slowed slightly. In August, however, it accelerated again, boosted by banks' efforts to extend more loans to small and medium-sized companies. The net issuance of CP increased owing to reissuance of paper that companies had retired temporarily at the end of the previous quarter to bring down their debt ratios and to the growing appetite for CPs on the part of investment trust companies following increased sales of MMFs. Mainly affected by the expanded issuance of corporate bonds by some large enterprises to secure funds ahead of time and pay down their debts, the net issuance volume of corporate bonds also increased slightly from early August.

[Table 14] Corporate Fund Raising
(Changes during the period) Unit : billion won

	2001			2002						
	II	III	IV	I	II	Apr.	May	Jun.	Jul.	Aug.
Bank loans ¹⁾	3,748	6,293	-267	12,718	11,649	4,315	4,465	2,869	2,521	3,088
Large enterprises	-2,390	-431	-2,682	3,450	-1,814	-219	-378	-1,217	263	111
Small and medium enterprises	6,139	6,724	2,415	9,268	13,465	4,534	4,845	4,086	2,258	2,977
Net bond issuance ²⁾	5,955	3,843	-6,389	-2,736	-3,298	-1,160	-165	-1,973	-449	15
Discount of CP ³⁾	189	3,356	-2,400	4,901	3,435	3,462	2,588	-2,615	2,748	1,173
Stock issuance ⁴⁾	893	1,015	2,282	652	915	137	342	436	345	155

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, banks' trust accounts, and merchant banking corporations.
 4) Based on companies listed on the Korea Stock Exchange or registered with the KOSDAQ, but excluding financial institutions.

Monetary Policy

Adopted by the Monetary Policy Committee

July ~ September 2002

Monetary Policy in July 2002*

Industrial production kept its high growth rate and facilities investment continued its recovery in May. Business activities are anticipated to continue buoyant along with the recovery of exports and facilities investment, although consumption and construction investment may relatively slow down.

Consumer price inflation eased to 2.6 percent on a year-on-year basis in June from the 3.0 percent of the previous month, as prices of farm products declined owing to a seasonal increase in shipments. Core inflation registered 2.9 percent on a year-on-year basis in June, similar to the 3.0 percent of the previous month.

Looking ahead, the strength of the Korean won against the U. S. dollar and the expected stability of international oil prices will mitigate inflationary pressures. Demand-side inflationary pressures, how-

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

ever, are expected to accumulate and wages seem likely to increase in line with the continued economic recovery.

In the financial markets, stock prices, long-term interest rates and the exchange rate have been falling back simultaneously due largely to the turbulence in U. S. and other major financial markets. It is necessary, therefore, to watch carefully how the impact of financial market instability feeds through to the real economy.

Taking these 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 July.

Monetary Policy in August 2002*

Private consumption, facilities investment and industrial production slowed down in June due mainly to irregular factors such as provincial elections, the World Cup and strikes in the automobile industry.

The underlying upward trend, however, is deemed to have been maintained. The growth of exports expanded in July, and the growth of manufacturing production appeared to have accelerated, notably in semiconductors and the automobile industry.

* Unofficial English translation based on the Korean original that was decided upon by the Monetary Policy Committee on August 6, 2002

Consumer price inflation continued to ease in July for the second consecutive month, owing to the steep declines in prices of agricultural products. Nevertheless, core inflation registered 3.0 percent in July, similar to the 2.9 percent level of the previous month.

Domestic stock prices and the won/dollar exchange rate tumbled mainly because of the instability of U. S. financial markets. Corporate fund-raising conditions have, however, been favorable.

The recovery trend of the Korean economy is likely to continue in the foreseeable future, but a considerable degree of uncertainty surrounds economic conditions at home and abroad in view of the instability emanating from the U. S. financial markets.

Therefore, the Monetary Policy Committee of the Bank of Korea decided today to maintain its benchmark overnight call rate at around its current level in August. Looking ahead, the MPC will keep a close eye on developments in the international and domestic economies.

Monetary Policy in September 2002*

The economic upswing seems to be continuing, considering that industrial production expanded in July after having slowed in June because of one-off factors, and that during August exports maintained a rapid growth.

Consumer price inflation shifted to a sharp rise of 0.7 percent following two months' decline, as prices of agricultural products rose due to torrential rains while rents and prices of personal services also showed an upward trend. Core inflation, however, registered a level similar to the previous month's.

Looking ahead, prices may show unstable movements owing to the rise in real estate prices, the recent increase in international oil prices and the upward trend of wages.

After measures were taken including the raising of the call rate target in May, the expansion in household credits slowed down and the money growth eased. However, with recent rise in real estate prices, the growth of household credits has again accelerated.

Despite these economic and financial conditions, uncertainties still remain over external circumstances, particularly regarding the U.S. economy and the damages caused by typhoon were huge. Therefore, the Monetary Policy Commit-

* Unofficial English translation based on the Korean original that was decided upon by the Monetary Policy Committee on September 12, 2002

tee of the Bank of Korea decided today to maintain its benchmark overnight call rate at around its current level in September.

The MPC will take necessary action if domestic and/or external disequilibria such as a rise in housing prices and a deterioration of the balance of payment position emerge.

Payment and Settlement Trends in the First Half of 2002

I. Overview

During the first half of 2002, the average daily volume of settlements through financial institutions' retail payment systems stood at 17.4 million, for a total value of 32.8 trillion won. This represented an increase of 21.9 percent by volume and 21.6 percent by value from the same period of the previous year. The substantial rise in settlement volume and value, which occurred despite only a slight rise in the volume of settlements made through paper-based systems, was mainly attributable to a sharp increase in electronic-based settlements including those made via the Interbank Shared Networks and by credit cards, which soared by 34.5 percent in volume terms and 45.6 percent in value terms compared with the same period of the previous year. Accordingly, the share of the electronic-based settlements in the total retail payment systems registered 68.1 percent in volume

terms and 37.5 percent in value terms, up 6.4 percentage points and 6.2 percentage points, respectively, from the same period of the previous year.

Looking at the share of various circuits within retail payment systems as a whole, that (based on value) of the Interbank Shared Networks rose from 28.2 percent to 33.9 percent and that of credit cards (bank-affiliated) climbed from 2.6 percent to 3.2 percent, but that of bills and checks dropped from 67.9 percent to 61.9 percent.

In the meantime, the average daily volume of fund transfers and settlements between financial institutions through the Bank of Korea Financial Wire Network (BOK-Wire), a large-value fund transfer system, was 5,314 for an average value of 79.8 trillion won, representing an increase of 2.4 percent in volume terms and 5.9 percent in value terms, from the same period of the previous year. The rise in the settlement value was

largely ascribable to a year-on-year rise of 24.3 percent, or 10.9 trillion won in the average daily value of interbank call transactions through the call transaction

system and a 32.2 percent hike, or 1.1 trillion won in the value of settlement of Delivery versus Payment(DVP) transaction involving securities.

[Table 1] Payments and Settlements in the First Half of 2002
(daily average) Unit : thousand, billion won, %

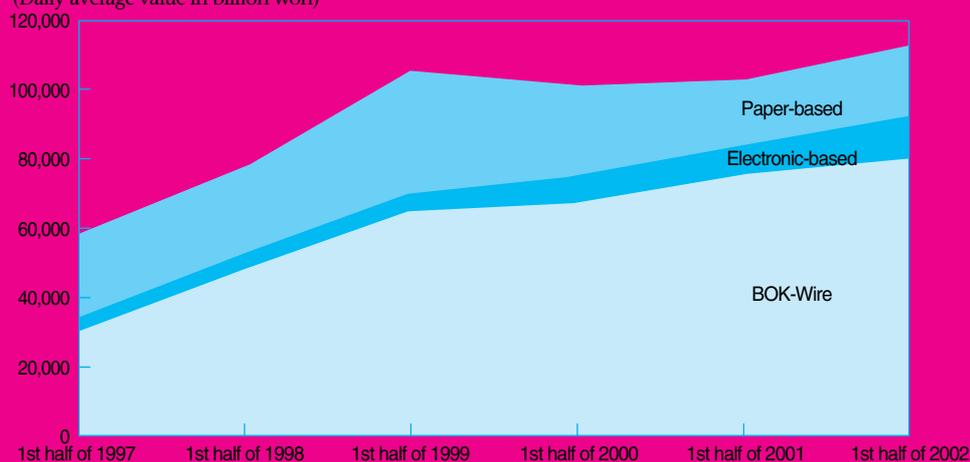
	1st Half of 2001		1st Half of 2002		Change	
	Volume	Value	Volume	Value	Volume	Value
Paper-based	5,463.3	18,540.9	5,548.0	20,530.6	1.6	10.7
Checks and bills	3,685.6	18,331.2	3,849.4	20,314.7	4.4	10.8
Bank Giro	1,777.7	209.7	1,698.6	215.9	-4.5	3.0
Electronic-based	8,797.9	8,457.8	11,832.5	12,310.7	34.5	45.6
Interbank Shared Networks	4,546.7	7,614.9	6,097.5	11,117.9	34.1	46.0
Electronic Bank Giro	1,137.5	131.7	1,191.0	142.0	4.7	7.8
Credit cards (bank affiliated)	3,113.7	711.2	4,543.9	1,050.8	45.9	47.8
Retail Payment Systems¹⁾	14,261.3	26,998.8	17,380.5	32,841.3	21.9	21.6
BOK-Wire ²⁾	5.2	75,397.8	5.3	79,847.6	2.4	5.9

Notes : 1) Payments between financial service users whose financial institutions are different are cleared through the Korea Financial Telecommunications and Clearings Institute(KFTC) and are finally settled through BOK-Wire.

2) These figures, which represent settlements through BOK-Wire, include not only real time gross settlements but also netted retail settlements.

[Chart 1] Trends of Payment and Settlement Figures

(Daily average value in billion won)



II . Payment and Settlement Trends by Payment Media

1. Checks and bills

During the first half of 2002, the average daily clearings of checks and bills recorded 3.8 million by volume and 20.3 trillion won by value. These represented increases of 4.4 percent and 10.8 percent, respectively, from the same period of the previous year.

Viewing the clearings of checks and bills by type, the use of current account checks and non-preset-value cashier's checks increased by 38.2 percent and

14.7 percent in value terms, respectively, boosted by a recovery of the domestic economy.

Despite a downward trend in the amount of commercial bills discounted¹⁾ following the increased use of bill substitution schemes²⁾, including corporate procurement loans, the use of promissory notes rose by 13.5 percent in value terms due to an increase in the issuance of accommodation bills³⁾, including CP, in the wake of active business operations by companies and card firms, as well as a rise in the issuance of promissory notes for the redemption of call loans between financial institutions.

[Table 2] Clearing Figures for Checks and Bills in the First Half of 2002
(daily average) Unit : thousand, billion won, %

	Volume	Value	Change ¹⁾		Share	
			Volume	Value	Volume	Value
Promissory notes	25.4	8,020.8	-7.4	13.5	0.7	39.5
Current account checks	11.5	4,584.7	24.6	38.2	0.3	22.6
Non-preset-value cashier's checks	131.4	5,029.3	-1.1	14.7	3.4	24.8
Preset-value cashier's checks	3,654.5	797.7	5.0	1.7	94.9	3.9
(100,000-won-denomination)	(3,151.2)	(315.1)	(6.2)	(6.2)	(81.9)	(1.6)
Household checks	13.0	43.5	-15.9	-16.5	0.3	0.2
Others ²⁾	13.6	1,838.9	-37.3	-32.4	0.4	9.1
Total	3,849.4	20,314.7	4.4	10.8	100.0	100.0

Notes : 1) Compared with the same period of the previous year.
2) Treasury checks, Receipts of stock dividends, CDs, Receipts of call money repayments, etc.

- 1) The amount of commercial bills discounted(based on small and medium-sized companies) came to 14.2 trillion won at the end of June 2002 on an outstanding basis, a decrease of 1.2 trillion won(-7.5 percent) from a year earlier.
- 2) Corporate procurement loans amounted to 10.9 trillion won and loans with accounts receivable as collateral amounted to 2.3 trillion won at the end of June 2002 on an outstanding basis, up 71.7 percent and 395.6 percent, respectively from a year earlier.
- 3) The amount of CP discounted came to 50.3 trillion won at the end of June 2002, an increase of 7.6 trillion won(+17.9 percent) from a year earlier.

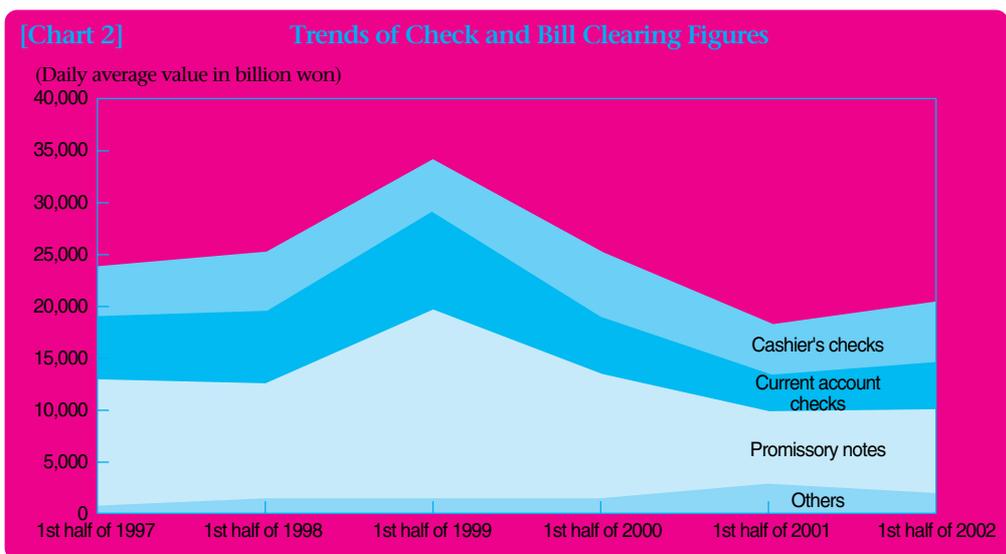
The use of current account checks and preset-value cashier's checks increased by 24.6 percent and 5.0 percent in volume terms, respectively, from the same period of the previous year, whereas that of household checks and promissory notes declined by 15.9 percent and 7.4 percent,

respectively. The rise in the use of preset-value cashier's checks was mainly attributable to a 6.2 percent hike in the use of the 100,000-won-denomination check, which accounted for 86.2 percent of the total preset-value cashier's checks.

[Table 3] Clearing Figures for 100,000-won-denomination Check
(daily average) Unit : thousand

	1999	2000	2001		1st Half of 2002
			1st Half	2nd Half	
Clearings	2,550 (3.0)	2,895 (13.5)	2,966 (2.4)	2,974 (2.7)	3,151 (6.2)

Note : Figures in parentheses refer to changes compared with the same period of the previous year(%).



2. Interbank Shared Networks

During the first half of 2002, the average daily figures for payments through the Interbank Shared Networks registered 6.1 million by volume and 11.1 trillion won by value, exhibiting high rises of 34.1 percent and 46.0 percent, respectively, over the same period of the previous year. This was attributable to a sharp rise in the use of Electronic Banking System, the Cash Management Service(CMS) System⁴⁾, and CD/ATM System, whose effects offset that of a decline in the use of Interbank Fund Transfer(IFT) System.

By settlement system type, the use of the Electronic Banking System, which came into its operations on April 16, 2001, recorded a sharp increase owing to

relatively cheap transfer commissions, the expanded transfer limit⁵⁾ per transaction, and 24-hour use⁶⁾. On the other hand, the use of IFT System, which allows nationwide remittances to an account held at any branch of a participant bank in real-time, dropped by 19.8 percent in volume terms and 29.7 percent in value terms from the same period of the previous year, as a considerable part of services was replaced with the Electronic Banking System, such as internet banking.

The use of the Cash Dispenser and Automated Teller Machine(CD/ATM) System increased by 17.1 percent in volume terms and 22.2 percent in value terms from the same period of last year, due to the expanded issuance of various

[Table 4] Payments through Interbank Shared Networks in the First Half of 2002

(daily average) Unit : thousand, billion won, %

	Volume	Value	Change ¹⁾		Share	
			Volume	Value	Volume	Value
Electronic Banking Network ²⁾	1,215.3	5,885.3	510.2	493.5	19.9	52.9
IFT System	1,127.8	4,028.0	-19.8	-29.7	18.5	36.2
CD/ATM Network	1,817.7	850.9	17.1	22.2	29.8	7.7
CMS System	1,928.1	337.3	39.9	84.8	31.6	3.0
Bank Line	4.2	16.2	-6.2	27.5	0.1	0.1
EFTPOS System	4.5	0.3	-22.7	-17.5	0.1	0.0
Total	6,097.5	11,117.9	34.1	46.0	100.0	100.0

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

2) Until March 2001, it consisted of payments through the ARS(Automatic Response Service) System.

4) CMS(Cash Management Service) refers to a system, which enables a company having several accounts in more than one bank to make and receive a number of fund transfers electronically through its accounts with a single electronic link to any of these banks or to KFTC.

5) The ceiling on fund transfer was raised from the previous 500 million won to 1 billion won from October 15, 2001.

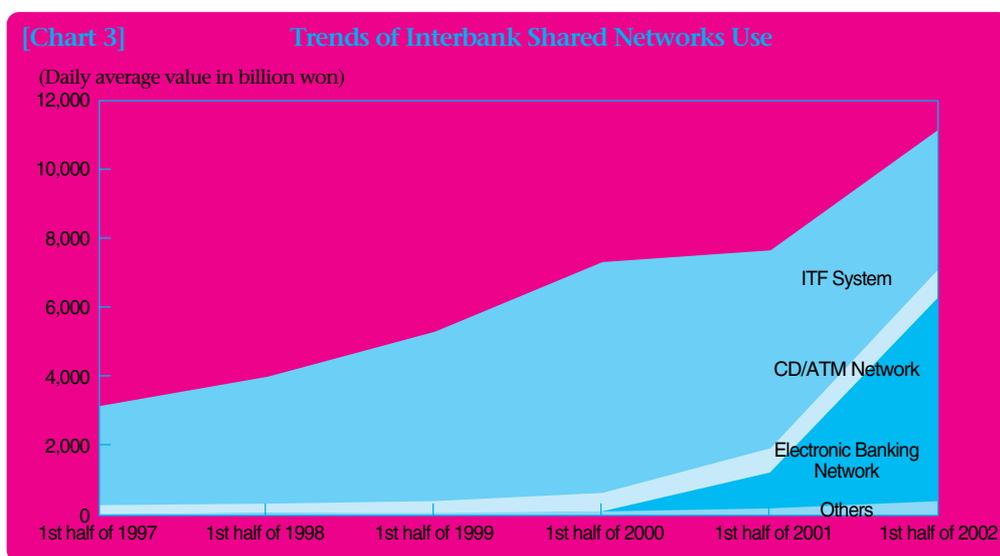
6) Most banks, amid intense competition in service among banks, offer the service 24 hours a day.

credit cards, the increase in the number⁷⁾ of CD/ATM installed and the widespread use of unmanned automatic bank branches following extension of their business operating hours⁸⁾.

The use of CMS System also showed a high growth rate of 39.9 percent in volume terms and 84.8 percent in value terms from the same period of the previous year. These hikes were attributable to the more rapid expansion in the number⁹⁾ of corporations enrolled in the

system, including schools (elementary, middle, and high), inspired by its speedier and more efficient fund-receipt service¹⁰⁾.

Meanwhile, fund transfers through Bank Line¹¹⁾, the Local Banks' Shared Network System, rose by 27.5 percent in value terms from the same period of the previous year owing to the increased settlement value, whereas those through the Electronic Fund Transfer at the Point of Sale(EFTPOS) System¹²⁾ continued to



- 7) The number of CD/ATMs installed came to 52,954 at the end of 2001, up 10.9 percent from the end of the previous year. Banks replaced older style CDs(whose maximum cash storage amount was 30 million won) with newer machines(whose maximum cash storage amount is 50~60 million won), which can pay out more money in cash.
- 8) The operating hours(08:00~22:00) of automated self-service branches were extended by 90 minutes(to 08:00~23:30) from Nov. 9, 2001.
- 9) 378 at the end of 1999, 532 at the end of 2000, 719 at the end of 2001, 1,319 at the end of March 2002, 1,567 at the end of June 2002.
- 10) Fund transfers are made 3 days after the payment date for the automatic Giro transfers, but the transfer service is available the day after the payment date for CMS.
- 11) This links the electronic networks of regional banks to that of KFTC and enables regional bank customers to make deposits and withdrawals at any branches of other regional banks.
- 12) This payment system allows instant automatic fund transfer from a deposit account of a customer holding a debit card to a deposit account of a seller through computerized networks when the customer buys commodities or services from the seller.

drop, affected by a steady increase in the use of credit cards.

3. Bank Giro

During the first half of 2002, the average daily transactions through the Bank Giro System registered 2.9 million by volume for a value of 357.9 billion won, rep-

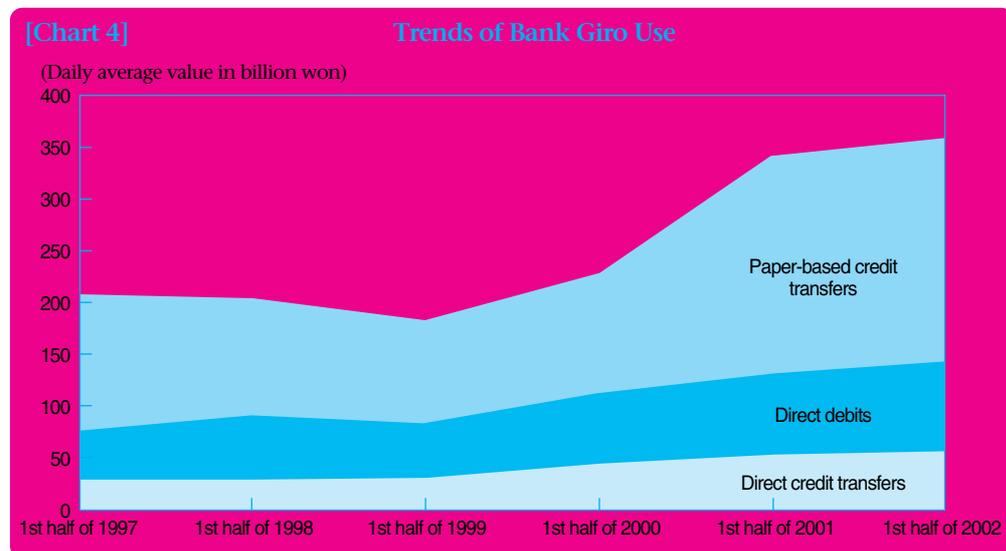
resenting a 0.9 percent drop in volume terms, but a 4.8 percent rise in value terms over the same period of the previous year.

Paper-based credit transfers decreased slightly in volume terms, but posted a slight rise in value terms affected by increased payments through direct debits¹³⁾.

[Table 5] Payments through Bank Giro in the First Half of 2002
(daily average) Unit : thousand, billion won, %

	Volume	Value	Change ¹⁾		Share	
			Volume	Value	Volume	Value
Paper-based credit transfers	1,698.6	215.9	-4.5	3.0	58.8	60.3
Direct debits ²⁾	1,144.8	86.8	4.2	12.3	39.6	24.3
Direct credit transfers ²⁾	46.2	55.2	20.1	1.4	1.6	15.4
Total	2,889.6	357.9	-0.9	4.8	100.0	100.0

Notes : 1) Compared with the same period of the previous year.
2) Electronic-based system.



13) The share of direct debits(based on volume) to total : 37.7% during the first half of 2001 → 39.6% during the first half of 2002.

The use of direct debit, chiefly employed for the payment of electricity & telephone charges and insurance premiums, rose sharply as the number¹⁴⁾ of institutions using this service increased due to its convenience for the receipt of payments.

The scale of direct credit transfers, mainly used for the payment of wages and dividends to a number of recipients, maintained a similar level as in the same period of the previous year.

Meanwhile, the number of users of the Bank Giro System stood at 36,737 at the end of June 2002 and declined by 29 or 0.1 percent compared with the end of the previous year.

4. Credit Cards (Bank-affiliated)

During the first half of 2002, bank-affiliated credit cards were used for a daily average of 4.5 million by volume for a value of 1.1 trillion won, increases over the previous year of 45.9 percent and 47.8 percent, respectively. These figures, which showed a high rise of 24.4 percent in volume terms and 26.5 percent in value terms compared with the latter half of 2001, also reflected an increase in the

use of credit cards by consumers for payment settlements and cash advance service.

Of these totals, the average daily transactions for purchases of goods and services rose sharply by 54.3 percent in volume terms and 63.1 percent in value terms, over the same period of the previous year. The growth rate of transactions involving cash advance services, however, slowed to 23.4 percent in volume terms and 39.7 percent in value terms affected by the government's package of measures¹⁵⁾ concerning credit cards. As a result, the share(based on value) of cash advance services in total credit card use dropped slightly to 62.1 percent in the first half of 2002 from 65.7 percent in the same period of the previous year.

Meanwhile, as of the end of June 2002, the total number of credit cards issued stood at 56.0 million, up 31.1 percent from a year earlier, and the number of merchants accepting them expanded by 33.5 percent over the previous year to 7.0 million.

14) 439 institutions at the end of June 2001 → 495 institutions at the end of June 2002(up 12.8% from a year earlier).

15) The government announced a comprehensive package of credit card-related measures on May 23, 2002, which call for credit card companies to curb their credits arising from cash loans (cash advance services and card loans) to below 50 percent of their total credits from July 1, 2002. In regard to the credits in excess of the 50 percent limit as of May 23, the government instructed credit card companies to reduce them by the end of 2003 on a step-by-step basis.

[Table 6] Payments Involving Bank-affiliated Credit Cards in the First Half of 2002

(daily average)

Unit : thousand, billion won, %

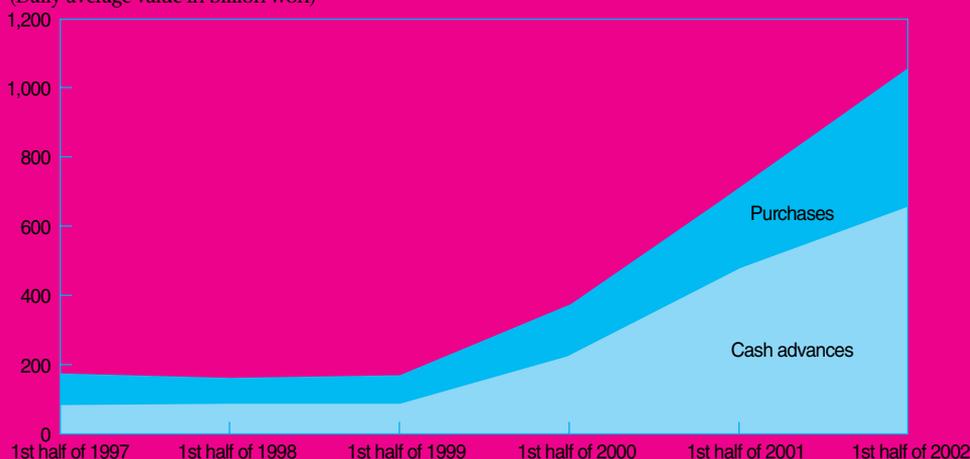
	Volume	Value	Change ¹⁾		Share	
			Volume	Value	Volume	Value
Purchases	3,507.0 (5,667.8)	398.1 (774.9)	54.3 (..)	63.1 (76.8)	77.2 (77.0)	37.9 (38.8)
Cash advances	1,036.9 (1,693.2)	652.7 (1,220.3)	23.4 (..)	39.7 (50.5)	22.8 (23.0)	62.1 (61.2)
Total	4,543.9 (7,361.1)	1,050.8 (1,995.2)	45.9 (..)	47.8 (59.7)	100.0	100.0
Number of cards issued	55,991(102,967)		31.1(43.7)		-	
Number of Affiliated stores	6,950(14,246)		33.5(33.8)		-	

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

2) Figures in parentheses include those for nonbank credit card companies.

[Chart 5] Trends of Bank-affiliated Credit Card Use

(Daily average value in billion won)



5. The Bank of Korea Financial Wire Network (BOK-Wire)

During the first half of 2002, BOK-Wire handled a daily average of 5,314 by volume valued at 79.8 trillion won, representing an increase of 2.4 percent in volume terms and 5.9 percent in value terms

over the same period of the previous year.

Real-time gross settlements, which account for the majority of transactions through BOK-Wire, marked a daily average of 3,772 in volume terms and 63.1 trillion won in value terms, up 2.0 percent and 4.4 percent, respectively, over

the same period of the previous year. This was mainly attributable to brisk call transactions between banks through the call transaction system, which rose by 4.6 percent in volume terms and 24.3 percent in value terms because of the favor-

able liquidity situation of domestic financial institutions. Boosted by the Financial Supervisory Service's tougher supervisory measure¹⁶⁾ to reduce possible settlement risk, settlements through the Delivery versus Payment(DVP) for securities trad-

[Table 7] Settlements through BOK-Wire in the First Half of 2002
(daily average) Unit : number, billion won, %

	Volume	Value	Change ¹⁾		Share	
			Volume	Value	Volume	Value
Gross settlement	3,772	63,098.3	2.0	4.4	71.0	79.0
(General transfer)	3,426	51,089.3	0.1	0.5	64.1	67.5
(Call transaction system)	182	10,933.4	4.6	24.3	3.4	14.4
(D V P) ²⁾	165	1,075.6	67.2	32.2	3.1	1.3
Net settlement	787	13,533.1	0.5	13.9	14.8	16.9
Treasury funds transfer	718	1,681.5	7.8	4.8	13.5	2.1
BOK loans and discounts	27	865.9	-27.7	9.1	0.5	1.1
Government and Public bonds	10	668.8	15.9	-3.7	0.2	0.8
Total	5,314	79,847.6	2.4	5.9	100.0	100.0
Foreign currency funds transfer (million dollars)	8	88.7	-12.7	-22.4	-	-

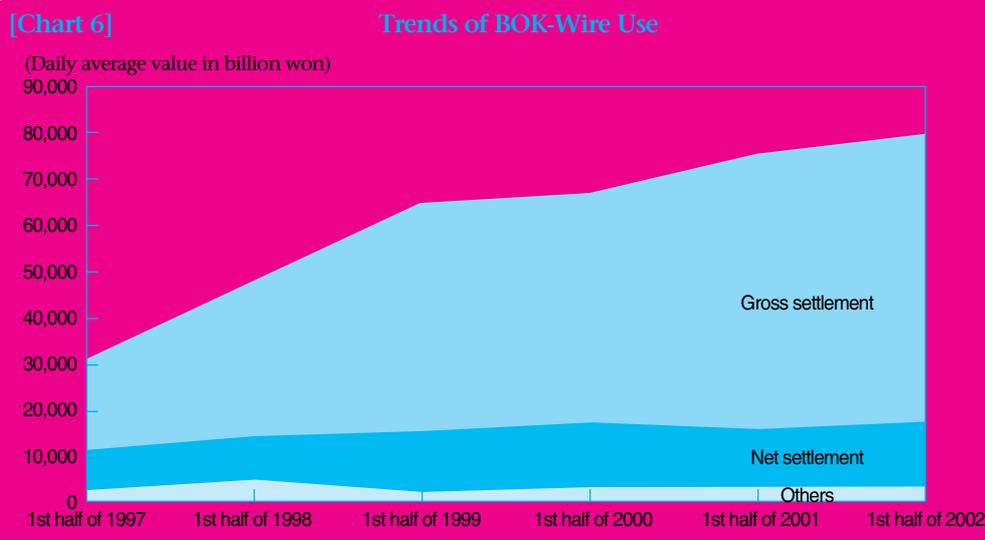
Notes : 1) Compared with the same period of the previous year.

2) The Delivery versus Payment System was introduced in November 1999.

[Table 8] Changes in BOK-Wire Participants in the First Half of 2002

	New Participants(+)	Withdrawal following closure of branch(-)	Withdrawal following merger(-)
Banks	Barclays Bank, Seoul Branch	Hawaii Bank, Seoul Branch Hualien Business Bank, Seoul Branch	Peace Bank J.P. Morgan, Seoul Branch Fuji Bank, Seoul Branch
Nonbanks	Daehan Life Insurance Samsung Life Insurance Merrill Lynch Securities Dongyang Orion Investment Trust Securities		Regent Merchant Bank Dongyang Merchant Bank Hyundai Merchant Bank JP Morgan Securities Il-Eun Securities

16) The Financial Supervisory Service included the implementation status of the Delivery Versus Payment(DVP) system for securities trading and payments in its checklists for inspection in 2002.



ing also soared by 67.2 percent in volume terms and 32.2 percent in value terms.

In the meantime, the net settlement volume between financial institutions arising from the exchange of checks and bills and from fund transfers through the Bank Giro and the Interbank Shared Networks increased by 13.9 percent in value terms over the same period of the previous year.

As of the end of June 2002, the number of institutions participating in BOK-Wire stood at 127(62 banks and 65 non-banks), a decrease of five(four banks and one non-bank) from a year earlier.

III . Developments in Payment and Settlement Systems

During the first half of 2002, the focus of the operation of the payment and settlement systems was placed on enhancing safety and effectiveness, strengthening the central bank's role as the manager and overseer of the payment and settlement systems, and developing and expanding payment instruments.

First, in order to promote the safety of the payment and settlement systems and the central bank's oversight functions, the central bank enacted the "Procedure on the Operation and Oversight of Payment Systems" on January 10 under the "Regulation on the Operation and Oversight of Payment Systems" and its "Working Regulation", which had been

promulgated at the end of 2001 and began to implement the relevant regulations and procedures from February 1.

Along with this, as the revision of the “Enforcement Decree of the Securities Exchange Act” imposed a demand on the Korea Securities Depository to offer materials, the Bank of Korea jointly constructed a system for the sharing of information concerning the deposited securities and settlement information of securities with the Korea Securities Depository, which was brought into operation from June 4.

In relation to the operation of BOK-Wire, it expanded the gap between charges for the use of BOK-Wire according to time periods from March subject to the proviso that the overall burden of charges on financial institutions would not be increased, in an attempt to ease the concentration of large-value fund transfers between financial institutions in the period just before the conclusion of service.

On the issues concerning the development and expansion of payment and settlement instruments, it has been pushing ahead with expanding the use of K-Cash(e-money), now in commercial service, to the transportation field and Internet e-commerce transactions.

Also, the “Business to Business(B2B) e-Commerce Payment Settlement System”, which allows payment and settlements stemming from e-commerce transactions

between companies through on-line networks, went into operation on March 4. As of the end of June 2002, eight banks, including Chohung Bank, Shinhan Bank and Industrial Bank of Korea, were involved in experimental operation of the system, and all banks plan to participate in the system before the end of the year.

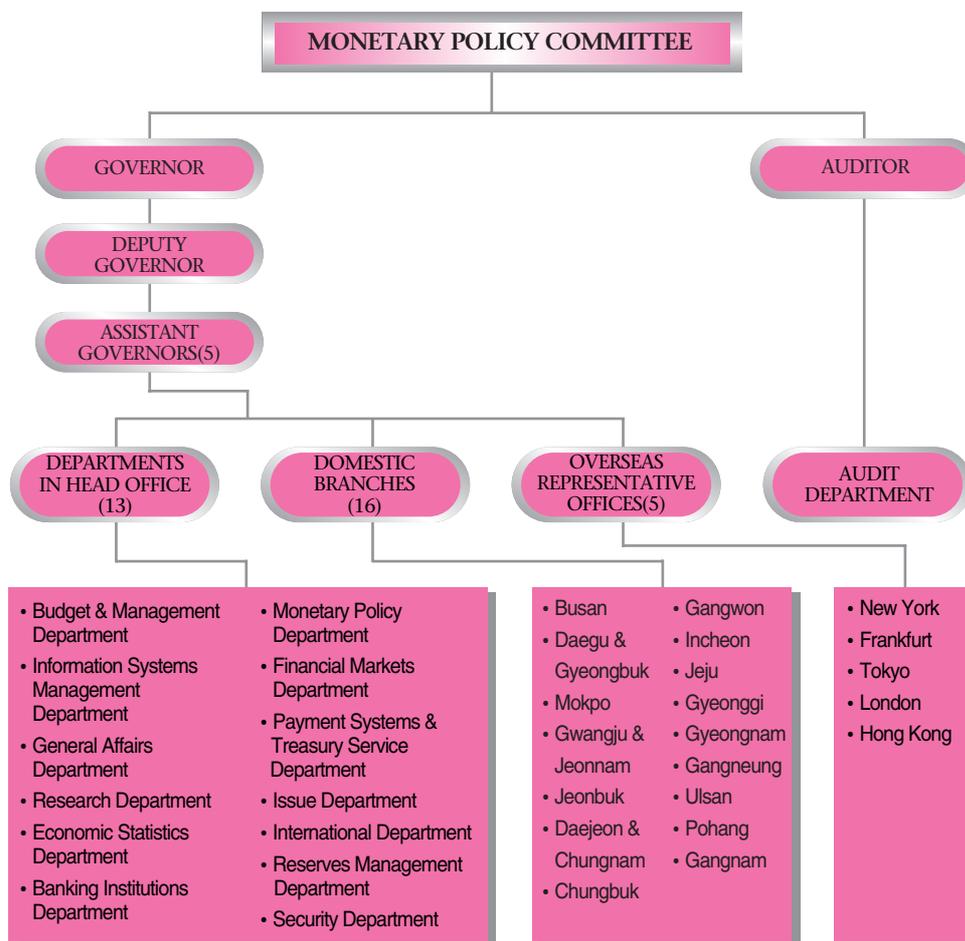
At the same time, community-oriented financial institutions such as Korea Federation of Savings Banks, Korean Federation of Community Credit Cooperatives, and National Credit Union Federation of Korea sought to provide greater convenience to their customers by linking up to the Interbank Shared Networks, including the CD/ATM System, the Interbank Fund Transfer System, and the CMS System.

Finally, after consideration of possible avenues for domestic banks’ participation in the Continuous Linked Settlement (CLS) Bank, set up to provide simultaneous settlements of foreign exchange transactions in major currency worldwide, together with the cost burden to be borne and anticipated benefits, the Bank of Korea has pressed ahead with an attempt to have the Korean won designated as a settlement currency within the CLS and domestic banks participate in the CLS Bank on a step-by-step basis in order to reduce possible settlement risk in Korea’s foreign exchange transactions. To this end, it invited the head of CLS Bank to Korea in May and held a seminar for the major domestic foreign exchange banks.

Organization of the Bank of Korea

(As of September 2002)

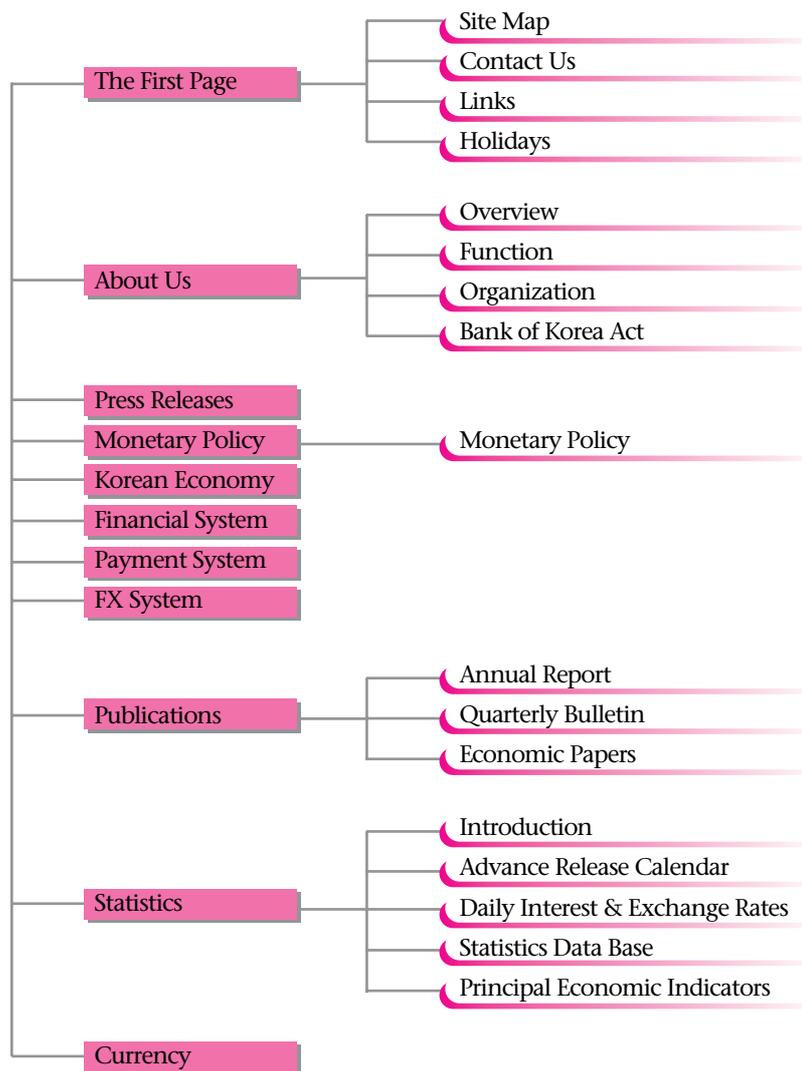
<p>Monetary Policy Committee Seung Park, Chairman Won-Tai Kim Hoon Namkoong Byung-Il Kim Tae-Dong Kim Woon-Youl Choi Kun-Kyong Lee</p>	<p>Governor Seung Park</p> <p>Deputy Governor Cheul Park</p> <p>Assistant Governor Seong-Tae Lee Hyung-Moon Kang Sung-Il Lee Chang-Ho Choi Jae-Ouk Lee</p>	<p>Auditor Woo-Suk Kim</p>
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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 :



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

List of Bank of Korea Working Papers*

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
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2002-6	The Current Status of North-South Economic Cooperation and its Future Tasks
2002-7	The Present Trading Position of the Domestic Parts and Materials Industry and Paths Towards Its Future Development
2002-8	The Economic Consequences of a Free Trade Agreement with Major Countries

* Published in Korean only.

Titles of Articles Appearing in Monthly Bulletin*

July ~ September 2002

● July 2002

- ☒ Analysis of Changes in Asset Prices as Predictors of Inflation
- ☒ The Global Economy Development during the First Half of 2002 and the Outlook for the Second Half

● August 2002

- ☒ Analysis of Effectiveness of Monetary Policy in Dealing with Swings in Exchange Rates
- ☒ Causes of the Protracted Stagnation of the Japanese Economy and Their Implications with Special Reference to the Structural Aspects
- ☒ Payment and Settlement Trends in the First Half of 2002

● September 2002

- ☒ The Expansion of Service Industries and the Volatility of Economic Activity
- ☒ The Balance of Payments in the First Half of 2002

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Titles of Articles Appearing in Quarterly Bulletin*

March 2000 ~ June 2002

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- ☒ 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
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- ☒ Financial Statement Analysis for 1999

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● 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

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- ☒ Financial Statement Analysis for 2000

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- ☒ 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**

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- ☒ 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
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● **June 2002**

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