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Contents

1. Recent Developments 3

2. Outlook for 2nd Quarter & 1998 11

3. Economic Management & Policy -
Measures for Expansion of Current Account Surplus
to Overcome Current Economic Crisis 16

Appendix 1
Journal of Economic Policies & Measures 25

Appendix 2
Statistics 28

1. Recent Developments

Growth

With the full-scale spread of the foreign exchange crisis to the overall real economy, Korea has been hit with its worst economic depression since 1970.

The cycle of the coincident composite index has continued to decline reaching the lowest level since 1970.

The leading composite index has continued to decline over a period of five months since November last year.

Industrial activities have further withered, due to the accelerated slump in domestic demand, plant operating rates have nose-dived and the unemployment rate has risen sharply.

The first quarter of this year saw the average plant operating rate drop to 67.3 percent Ñ the lowest level since the plant operating rate was first recorded.

The seasonally adjusted unemployment rate rose to 4.7 percent in the first quarter, and the number of unemployed exceeded 1.35 million.

Influenced by the further acceleration of the slump in domestic demand, both industrial production and shipments marked negative growth.

Industrial production in the first quarter registered a minus 7.8 percent growth from the same quarter of last year.

Domestic shipments decreased 22.1 percent, however export shipments marked a growth of 30.6 percent, influenced by the sharp depreciation of the won, thus marking an overall shipment decrease of 7.5 percent from the same quarter of last year.

Private Consumption

Private consumption in the last quarter of 1997 marked a minus 1.0 percent growth, led by a whopping negative 14.6 percent growth in consumption of durable goods.

This marked the first negative growth in private consumption since the last quarter of 1988, which witnessed a growth of minus 3.0 percent.

The beginning of 1998 saw an accelerated slump in retail and wholesale trade, thereby increasing the negative growth in private consumption in the first quarter of 1998.

This resulted from the sharp withering of consumption propensity due to the foreign exchange crisis that also brought down prices of real estate and other assets which in return reduced income from assets, raised commodity prices and reduced labor income Ñ factors that pushed down the general purchasing power.

Investments

Equipment investments in the last quarter of 1997 marked a growth of minus 28.2 percent from a year earlier, influenced by negative growth rates of 20.8 percent in machinery investment and 43.7 percent in transportation equipment.

In the first quarter of 1998, facility investment-related indexes, including domestic machinery orders, dropped sharply.

Domestic orders for machinery marked an overall growth of minus 39.9 percent, due to the continued slump in equipment investment in the private sector.

Imports of machinery and shipments of machinery for domestic use also marked negative growth rates of 52.9 percent and 35.1 percent, respectively, from a year earlier.

This resulted from further deterioration in the investment environment of the private sector induced by high interest rates. A depressed capital market decreased investments in the public sector stemming from tight government fiscal policy.

Construction investments in the last quarter of 1997 witnessed minimal growth of 3.7 percent from a year earlier, reflecting the continued slump in the construction of housing and industrial plants.

Domestic construction orders continued to decline, especially in the private sector, and the year-to-year negative growth rate climbed from 17.8 percent in the last quarter of last year to a minus 24.5 percent in the first quarter of this year.

This has resulted from a continued slump in real estate transactions coupled with lagging investment in the public sector caused by the stringent fiscal policy of the government.

Foreign Trade & Balance of Payments

While exports have been on the rise and imports on the decline, the scale of total foreign trade has been decreasing.

Exports in the first quarter amounted to $32.3 billion Ñ up 8.7 percent from a year earlier, thanks to the depreciation of the won and exports of gold.

Imports during the same quarter amounted to just $23.91 billion Ñ down 35.5 percent, influenced by a sharp reduction in the import of consumer goods, raw materials, and capital goods.

By industrial sector, exports of chemical/heavy industry products were favorable while those of light industrial products were unfavorable. By region, exports to advanced nations were favorable while those to developing nations in Southeast Asia were lagging.

Thanks to a surplus in the goods and services accounts, the first quarter of this year witnessed a current account surplus of $10.69 billion.

The goods account marked a surplus of $9.67 billion, reflecting the sharp decline in imports.

The services account also registered a $570 million surplus, thanks to a $560 million surplus in the travel account.
In the capital transaction sector, the first quarter witnessed a net influx of $1.39 billion. This resulted from increased investment in the stock market by foreigners as a result of the somewhat moderated foreign exchange crisis.

Prices

During the first quarter of this year prices rose sharply, influenced by the marked depreciation of the won. Prices of those products manufactured with imported raw materials rose in a particularly conspicuous manner.

In the first quarter of this year, consumer prices rose 9.0 percent from the same period of last year, while producer prices were up 16.8 percent during the same period.

Since mid-February of this year, however, the inflationary price spiral has slowed, influenced by the gradual stabilization of the won-dollar exchange rate and the decreased price of crude oil on the international market.

Money & Banking

The growth rate of the money supply has been slowing since the beginning of this year.

The year-to-year growth rate in the money supply, which got as high as 14.7 percent in terms of MCT in December last year to ease the acute shortage of liquidity, dropped to 9.6 percent in March of this year due to the tight monetary policy.

The growth rate of the total money supply (M2) has slowed, due to a credit crunch and the shifting of capital in favor of high-interest yielding monetary products.

It appears that the won-dollar exchange rate and interest rates are becoming somewhat stabilized, influenced by a growing surplus in foreign trade, influx of foreign capital into the stock market, favorable outcomes in negotiations with foreign creditors for the extension of the maturity of short-term foreign debt induced by financial institutions, improvement of Koreaㅠ ㅕ ㅂ credit rating and increased foreign exchange holdings.

The won-dollar exchange rate is likely to stabilize at around the 1,300 won per dollar level.

Interest rates have been lowered since the end of last year, but still remain at a high level of around 18 percent.

Recent Developments

Growth & Employment

Inasmuch as a stringent financial policy and restructuring of financial institutions in 1998 are unavoidable due to the IMF bailout accord, Koreaㅠ ㅕ ㅂ economic growth is likely to decline fro m 5.5 percent in 1997 to a growth of around minus 3 percent in the first half of this year an d minus 0.5 percent for the whole of the year.

The anticipated influx of foreign exchange in 1998 notwithstanding, it will be inevitable to pursue a stringent monetary policy, as the annual supply ceiling of reserves and total liquidity (M3) is pegged at the 13.5 percent level. Moreover, tight liquidity and high interest rates will prevail in the first half of this year, due to the lag in restructuring of financial institutions.

The sharp decline in domestic demand makes it inevitable to overcome the current economic slump through increased exports. Nonetheless, export growth rates are likely to mark 3.3 percent (excluding gold exports) in the first quarter and 6.7 percent in the second quarter of this year. This prediction stems from decreased export unit prices and restricted foreign

trade-related financing.
In 1998, influenced by a low economic growth rate stemming from lagging domestic and external demand and from the process of restructuring of financial institutions and enterprises, the unemployment rate will increase to 7-8 percent and the economically active population will decline. This trend is likely to last for a considerable period.

On the other hand, according to a plan being promoted by export-oriented private enterprises, it will not be difficult to attain a current account surplus of $50 billion this year, provided that the prevailing stringent foreign trade-related financing environment is eased without delay so as to maximize the effect of the sharp depreciation of the won and thus pave the way for a double-digit growth in exports and that decreased imports are taken into consideration.

In fact, unless the serious bottleneck, i.e. the stringent foreign trade financing climate, is removed as soon as possible, the export growth rate in 1998 will remain at the single-digit level as was the case in 1997.

The domestic demand sector is likely to witness further radical withering, due to lower household income, a decline in enterprise investments and blunted government expenditures.

The export growth rate this year may somewhat surpass that of last year, thanks to the sharp depreciation of the won. However, it will still remain at single-digit growth as was the case last year in view of the fact that unit export prices dropped as much as 30 percent for some items in the first quarter of this year and also that exports to Japan and Southeast Asia have been lagging due to the adverse influence of foreign exchange crises gripping Southeast Asian nations.

Private consumption is likely to register around a minus 3 percent growth rate this year, influenced by the inevitable decline in the purchasing power due to the protracted business depression, the trends of increasing unemployment, declining wages, and the continuing slump in the real estate and stock markets.

Equipment investment growth is also expected to witness a whopping minus 31.5 percent this year due to a series of unfavorable factors, including deteriorating enterprise profitability, the uncertain business outlook, and ongoing enterprise restructuring which is certain to entail manpower cuts, increasing unemployment.

The construction sector is likely to witness negative growth of around 12 percent this year, caused primarily by retrenchment in social infrastructure projects that will inevitably reduce civil engineering and construction expenditures, difficulties in raising funds stemming from tight liquidity, and increased prices of construction-related materials.

Prices

The growth rate of consumer prices is likely to level off after hitting a peak in the first quarter of this year. However, the average of monthly growth rates this year will be around 8 percent Ñ still the highest since 1991 when Koreaㅍㄷ ㅖ ㅂ economy peaked.

The inflationary pressure is expected to ease somewhat from the second quarter of this year due to stunted domestic demand, stabilized international market prices of energy and other raw materials and stringent economic management in order to meet the IMF-imposed macroeconomic program.

However, annual prices this year are still likely to rise somewhat as the influence of the sharp depreciation of the won is gradually reflected in domestic market prices, spearheaded by prices of those products largely dependent upon imported raw materials including petroleum products.

Foreign Trade & Balance of Payments

The foreign trade sector, which witnessed a $3.8 billion deficit in 1997, is expected to record a whopping $30 billion surplus in 1998, due chiefly to a sharp reduction in imports.

It appears that imports of both consumer goods and capital goods will decrease as much as 20 percent in 1998, stimulated by the prolonged business recession, slump in domestic demand for consumer goods and slowdown in investments.

On the other hand, the effect of the sharp depreciation of the won is expected to be felt in exports from the second half of this year. It needs to be noted, however, that the depreciation of the currencies of Koreaㅍㄷ ㅖ ㅂ competitors in the world market will halve the effect of th e depreciation of the won on top of the blunted exports to Southeast Asian nations and Japa n which have been experiencing economic difficulties of their own. Thus, unless efforts t o instigate drastic export expansion are made, it will be rather difficult to expect a significan t boost in exports this year.

Unlike the anticipated improvement in goods trade, the unfavorable balance in the services and income account sector will continue to exist in 1998 but at a moderated level of around $1 billion. The unfavorable balance in the invisible trade sector is expected to be somewhat reduced in 1998 from 1997 as the tourism and foreign travel balance is likely to improve. A deficit is anticipated in the income account, due to increased payment of interest on short-term borrowings.

1998 is also likely to witness a $30 billion surplus in the current account Ñ an improvement of some $40 billion from 1997.

Interest & Exchange Rates

Influenced by a tight monetary policy, the first quarter of this year witnessed relatively high interest rates of 18-20 percent. With the stabilization of the foreign exchange market in the second quarter of this year, interest rates were somewhat lower in the second quarter. This trend is likely to continue in the second half of this year with the interest rates likely to fall further to a level of 15-17 percent.

Having set the inflation rate for this year at 9 percent, the IMF has been demanding that the total liquidity (M3) be readjusted from time to time so as to realize the inflation target.

From the second quarter of this year, it is probable that interest rates will be maintained at around 15-17 percent, barring radical instability in the foreign exchange market. In fact, there is the possibility of a further decrease in interest rates in the second half of this year and thereafter, if the won maintains a path of slow but steady appreciation.

Since March the foreign exchange market has turned into a suppliersÕ market and the exchange rate has stabilized at around 1,300 won per dollar. Nonetheless, the won appears to be somewhat undervalued in terms of the real effective exchange rate.

According to evaluation of the won by our institute, the real effective exchange rate in the first quarter of this year was 1,130-1,170 won per dollar.

Affected by the lagging restructuring of financial institutions and enterprises, the unstable surplus in the current account, and the slow inducement of foreign capital due to an inconsistent government policy, the realization of the real effective exchange rate may not be possible until 1999 or even later.

In the short-term, the exchange rate depends not so much on increased foreign exchange holdings as it does on the restructuring of domestic financial institutions and enterprises. The won is likely to retain its slow appreciation path, thanks to the improved current account balance and decreased pressure on dollar demand.

It will only be possible to realize the real effective exchange rate early on if Koreaㅉㅕㅂ externa l credibility is restored, adequate foreign exchange market liquidity is ensured throug h withdrawal of ceilings on foreign ownership of shares on the stock exchange, a complet e opening of the stock market to foreigners is realized and the financial market is normalized.

KERI Economic Quarterly
Ñ Measures for Expansion of the Current Account Surplus
to Overcome the Current Economic Crisis Ñ

Summary

The value of the won has somewhat stabilized thanks to the conversion of short-term foreign debt into long-term loans on top of the sustained surplus in the current account. However, the insolvency of financial institutions and enterprises is being aggravated and the unemployment rate has been rising.

If the current situation continues unabated, our industrial foundation will crumble and our potential growth capacity will dissipate rapidly making it rather difficult to join the ranks of advanced nations in the foreseeable future.

While foreign misgivings about Koreaㅠㄷ ㅕ ㅂ industrial production prowess has been mounting, th e fixed cost burden of domestic enterprises has been increasing due to the low operating rate s of plant facilities.

In order to resolve both the current foreign exchange crisis and the issue of mounting unemployment, it is necessary for us to endeavor to enhance the plant operating rate for at least one or two years so as to raise exports and thus expand the current account surplus. Thanks to stabilized world market prices of raw materials and the gradual stabilization of the foreign exchange rate, it is likely that this year will witness a current account surplus of around $30 billion, provided that the current bottlenecks which stand in the way of increased exports are removed.

Furthermore, it may even be possible to attain a current account surplus of as much as $50 billion this year, provided that the government remove the export bottlenecks to enable export-oriented enterprises to effectively boost their exports, imports of capital goods are minimized on the part of enterprises by minimizing facility investments as well as refraining from imports of consumer goods and raw materials for domestic use.

In order to overcome the current economic crisis through an increased current account surplus, a number of policies need to be implemented.

First, at least $5 billion needs to be secured to help finance increased exports; second, export financing support measures need to be expanded, this includes the expansion of ceilings imposed by the Bank of Korea on the rediscount of trade-related bills of small- and medium-size enterprises; third, export/ import-related financial support of such state-run banks as the Export & Import Bank and the Industrial Bank of Korea needs to be augmented.

1. Fundamental Direction & Anticipated Effects

Fundamental Direction

The value of the won is relatively stable thanks to the sustained growth of the current account surplus over the past four to five months and the successful conversion of short-term external debts into medium- and long-term debts. However, the insolvency of financial institutions and enterprises continues and the unemployment issue has been growing.

Koreaㅠㄷ ㅕ ㅂ export competitiveness on the world market is being threatened by the weakenin g Japanese yen and mounting pressure for the depreciation of the Chinese currency.

The protraction of the status quo or promotion of medium- and long-term economic recovery

measures may well result in an encroachment on the real economic foundation, quickly aggravating Koreaㅭ ㅕ ㅂ potential economic growth capability and making it rather difficult t
o realize Koreaㅭ ㅕ ㅂ efforts to join the ranks of advanced nations in the long-run.

While misgivings on the part of foreign countries about Koreaㅭ ㅕ ㅂ excessive industria
l production capacity remain high, the fixed cost burden of domestic enterprises has bee
n mounting due to low plant operating rates.

Therefore, the sole way out of the current economic plight, marked by the foreign exchange crisis and growing unemployment problems, is to endeavor to raise plant operating rates for at least one or two years backed with efforts to boost exports and thus further expand the current account surplus.

Anticipated Effects

A. Increased employment through expanded plant operating rates

Enterprises need to refrain from expansion of industrial production capacity through increased facility investment. Instead it would be feasible to raise the current plant operating rate so as to boost employment.
In order to raise the plant operating rate for increased output of export goods, it will be necessary to import machinery maintenance parts, but imports of capital goods for expansion of production capacity needs to be minimized.

It is possible to raise the current plant operating rate by expanding the plant operating shift system which in turn raises employment.

The current average plant operating rate remains at 68 percent while the domestic demand for manufactured goods has decreased by as much as 20 percent. Thus, it will be possible to raise output for exports by around 30 percent without expanding existing plant facilities.

B. Easing the concern of foreign countries about Koreaㅭ ㅕ ㅂ excessive production capacity

It will be possible to ease the concern of foreign countries about Koreaㅭ ㅕ ㅂ excessiv
e production capacity by decreasing the import of capital goods and refraining from a
n expansion of production capacity.

C. Decreased trade deficit with Japan

Decreased imports of capital goods also will lead to a decreased trade deficit with Japan. A current account surplus of $50 billion will probably mean a decreased trade deficit with Japan from $15.7 billion in 1996 and $13 billion in 1997 to $4.3 billion in 1998.

D. Enhancement of external credibility

A current account surplus of $50 billion will account for 15 percent of the anticipated GDP for 1998 and will greatly increase Koreaㅠㄷ ㅓ ㅂ external credibility. If the $50 billion is used t o reduce foreign liabilities, it will greatly improve Koreaㅠㄷ ㅓ ㅂ foreign credibility.

2. Outlook and Prospects for Current Account Surplus

Outlook

Assuming that exports will grow approximately 15.6 percent ($22 billion) and imports will decline by about 22.8 percent ($32 billion) over last year and that the unfavorable balance of invisible trade and unrequited transfer records make up a deficit of just $1 billion this year, it will be possible to achieve a current account surplus of $50 billion.

Prospects of Current Account Surplus

A. Exports

The average 1998 export growth rate of the 500 major firms, which account for over 70 percent of total annual exports, stands at 19.8 percent (about $160 billion). Even if the performance in the first quarter is taken into consideration, it will still be possible to attain a combined export growth rate of 15.5 percent (about $160 billion).

B. Imports

Assuming that international market prices of raw materials remain stable coupled with a sharp decline in facility investment and efforts to curtail imports, 1998 imports will reach about $108 billion Ñ a decrease of some $36 billion from 1997.

Import growth of about minus 9 percent is anticipated in 1998 over 1997, due to the stabilized prices of raw materials on the world market and withered domestic demand.

Influenced by lagging world demand for primary industrial products (including crude oil, gas, coal, and nonferrous metals), their prices are likely to decrease. Of particular note, international market prices of crude oil have dropped sharply, making it possible to reduce crude oil imports by $7-8 billion this year.

Imports of capital goods this year are likely to remain at 50 percent of last yearㅠㄷ ㅓ ㅂ due to a sharp cutback in facility investments for new plants an/or renovation of existing facilities.

In fact, the reduction in imports of capital goods this year is inevitable in view of decreased access to foreign exchange loans, inducement of foreign capital, and importation of capital goods on a lease basis, not to mention the restricted money supply available to private enterprises.
When and if imports of capital goods (machinery and equipment) from Japan are nearly halved (around 47.4 percent) from last yearㅠㄷ ㅓ ㅂ level, it will mean conservation of foreig

n exchange amounting to $6 billion this year in this sector alone.

A survey conducted by the FKI disclosed that the manufacturing industry plans to reduce their facility investments by 42.3 percent this year. In the case of all industries, the annual reduction rate is projected at 30.1 percent this year.

C. Services and Capital Transaction Balance

The services and investment balance account is likely to mark a deficit of around $1-2 billion this year despite increased payment of interest on foreign credits, provided that tourism expenditures are contained at the current level and the favorable unrequited transfer balance is maintained at the current level.

In the capital transaction sector, an influx of over $15 billion is anticipated this year, thanks to expanded liberalization of the domestic capital market, while no substantial investment overseas by domestic enterprises is anticipated. The $50 billion anticipated surplus in the current account this year thus can be used for the reimbursement of foreign credits.

3. Support Measures

A. Expansion of Export/Import Financing

Foreign exchange for financing exports and imports needs to be maintained

It will be necessary to maintain at least $5 billion to help finance exports. (This sum could be raised to $10 billion, if foreign exchange holdings are raised to an optimum level.) The government has adopted a plan to secure the $5 billion, including IBRD credits, to support export efforts. In the case of Thailand, use of $11.5 billion in foreign credits is planned to help finance exports this year.

Expansion of foreign trade financing by the Bank of Korea

The ceiling on the rediscount of trade bills for small- and medium-size enterprises needs to be raised, along with the financing rate per export unit price.

Foreign trade-related commissions, including foreign exchange conversion commissions and foreign exchange commissions, need to be lowered.

Measures need to be adopted to facilitate the purchase of D/A export bills and the opening of L/Cs for the import of raw materials for the manufacture of export goods.

Part of the foreign exchange earmarked for financing exports needs to be allocated to the Export/Import Bank and the Industrial Bank of Korea along with the establishment of a 흫pecial windowÓ to exclusively handle foreign trade financing.

The deadline for settlement of import L/Cs needs to be extended from the current six months to 360 days as is the case in Japan and other advanced countries.

Measures are needed to utilize effectively export support funds earmarked by foreign countries to help facilitate their own exports

It is necessary to make best use of export financing funds of foreign countries established to stimulate exports of their own products.

B. Strengthened Functions of State-run Banks to Boost Exports

In view of the limited role of commercial banks in financing foreign trade, it is urgently necessary to strengthen the functions of state-run banking institutions to support foreign trade efforts effectively.

It is probable that the restricted role of ordinary banks in financing foreign trade will last for a considerable period yet in view of their need to meet the minimum capital adequacy requirements imposed by the Bank of International Settlement and of their limited foreign exchange resources stemming from a low international credit rating.

The Industrial Bank of Korea needs to expand its foreign trade loans as well as industrial financing. It will be possible to boost its role for financing foreign trade and industrial development by raising its paid-in capital by as much as 1 trillion won (by converting the shares held by the government into a direct government investment). Its current paid-in capital is 3.67 trillion won.

In order to effectively utilize the increased paid-in capital in kind (government shares) for loans, it would be possible to have those enterprises that borrow funds from the bank to purchase bank shares with 3-5 percent of their borrowed funds from the bank. This will also contribute to the gradual privatization of the state-run bank.

The Bank of Korea should be allowed to rediscount the foreign trade bills purchased by city banks. Enterprises eligible for loans for the procurement of capital goods need to be expanded to cover ordinary enterprises as well.

Loans available from the Export/Import Bank should be expanded and its functions strengthened

Trade-related loans should be expanded by raising the Export/Import Bankㅁㄷ ㅕ ㅂ paid-in capita l by 1 trillion won through the conversion of government held shares into direct governmen t investment. Its current paid-in capital is 1.1 trillion won.

The bank needs to be allowed to handle short-term trade financing. Currently the bank is not allowed to make trade-related loans repayable within six months or less. Part of the international credit funds available under the IMF bailout program should be allocated to the bank to help finance foreign trade-related loans.

Appendix 1
Journal of Economic Policies & Measures
(From January 3, 1998 to April 15, 1998)

January 3

Bank of Korea announced plans to take over 6.5 trillion won in deposit insurance fund.

Ministry of Finance & Economy announced that purchases of foreign exchange export bills will be excluded from banksÕ foreign exchange position ceiling in order to facilitate banksÕ purchase of export bills.

Ministry of Commerce, Industry and Energy announced that $1 billion of the credits from the ADB will be added to the credit guarantee fund for small- and medium-size enterprises.

January 13

Ministry of Finance and Economy announced state-guarantee of settlement for external liabilities of domestic financial institutions.

January 15

Bank of Korea ordered Korea First Bank and Bank of Seoul to reduce capital, while requesting the government and the Deposit Insurance Corp. to invest in the banks.

January 17

Ministry of Finance & Economy imposed anti-dumping duties on medium-quality fiberboard from Malaysia.

Ministry of Construction and Transportation launched a project to establish a land management information system.

January 24

Ministry of Commerce, Industry and Energy raised prices of LNG and LPG.

January 26

Bank of Korea revised loan ceilings and abolished credit prohibition system.

Bank of Korea and Bank Supervisory Board announced that excessive cross repayment guarantees demanded by banks for their loans to enterprises will be banned.

January 29

Government concluded negotiations with foreign financial institutions to extend the less-than-one-year maturity of short-term loans made to domestic financial institutions by one, two or three years with government repayment guarantees.

January 30

Government invested 750 billion won each in Korea First Bank and Bank of Seoul in kind, i.e., its shares of Korea Electric Power Corp. and Korea Tobacco & Ginseng Corp.

February 2

IBCA of Britain upgraded Koreaㅠㄷ ㅕ ㅂ credit rating by five steps from B-to BB+.

February 8

Ministry of Finance & Economy announced measures to stabilize financial institutions and open the of short-term financial market to foreign competition.

February 11

Korea Stock Exchange announced that from March 2 the maximum allowed daily spread of listed share prices would be raised from the current 8 percent up or down to 12 percent.

February 17

IMF approved $2 billion bailout credit for Korea.

Ministry of Finance & Economy revoked the licenses of 10 merchant banks.

S&P of the United States upgraded Koreaㅠㄷ ㅕ ㅂ credit rating by three steps from B+ to BB+.

February 19

Bank of Korea announced that the ceiling on total loans would be raised by 1 trillion won from March 2.

March 16

Ministry of Finance & Economy announced results of its negotiations for extension of short-term loan maturities.

March 17

Bank of Korea announced its preliminary tabulation of 1997 National Account, marked by a decrease of per capita GDP from $10,543 in 1996 to $9,511 in 1997.

March 23

Ministry of Finance & Economy ordered Cheil Merchant Bank to suspend business.

March 27

IBRD approved its initial $2 billion credit to finance industrial restructuring.

March 30

Moodyㄸㅕㅂ upgraded Koreaㄸㅕㅂ long-term credit rating prospect to 흡table.Ó

March 31

Ministry of Finance & Economy announced expanded liberalization of industrial sectors eligible for foreign investment.

April 8

Ministry of Finance & Economy announced overall measures designed to induce increased foreign investment.

April 9

Ministry of Finance & Economy announced that it was able to float overseas foreign currency-denoted foreign exchange stabilization global bonds worth $4 billion Ñ $1 billion more than originally planned.

April 14

Ministry of Finance & Economy began issuing government repayment guarantees for foreign credits totaling $21.836 billion which were converted from short-term to medium-and long-term credits.

Government announced measures to facilitate restructuring of financial institutions and enterprises.

April 15

The Court approved court receivership of Kia Motors.