

Financial Market Trends in September 2023

- The **Treasury bond yield** rose substantially, affected chiefly by the heightening of expectations of a prolongation of the tightening stance at the U.S. Federal Reserve, and the reemergence of concerns about inflation in line with increases in international oil prices.
 - The **KOSPI** fell sharply on growing aversion to prolonged high interest rates.
 - **Bank lending to the household sector** grew by a much smaller margin in September (+6.9 trillion won in August 2023 → +4.9 trillion won in September 2023), while **bank lending to the corporate sector** grew significantly (+8.2 trillion won → +11.3 trillion won).
 - **Deposit-taking by banks** increased significantly in September (+27.9 trillion won in August 2023 → +27.1 trillion won in September), while **funds under management at asset management companies** remained at their level of the previous month (+2.4 trillion won → +0.1 trillion won).
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- The Treasury bond yield rose substantially, affected chiefly by the heightening of expectations of a prolongation of the tightening stance at the U.S. Federal Reserve, and the reemergence of concerns about inflation in line with increases in international oil prices.
- Short-term interest rates rose significantly, due mainly to the expansion of short-term bond supply, and a seasonal decrease in deposits into MMFs at the end of the third quarter.
- The KOSPI fell sharply on growing aversion to prolonged high interest rates

Major Interest Rates and KOSPI

(end-period, %, %p)

	2020	2021	2022	Aug 2022 (A)	Sep	Oct 11 (B)	B - A
■ Treasury bonds (3-yr)	0.98	1.80	3.72	3.71	3.88	3.95	0.29
■ Treasury bonds (10-yr)	1.71	2.25	3.73	3.82	4.03	4.14	0.40
■ U.S. Treasury bonds (10-yr)	0.91	1.51	3.87	4.11	4.57	4.65²⁾	0.69
■ Corporate bonds (3-yr, AA-) ¹⁾	1.39	2.41	5.20	4.48	4.65	4.73	0.30
■ Corporate bonds (3-yr, A-) ¹⁾	2.44	3.28	6.19	5.85	6.01	6.08	0.28
■ Corporate bonds (3-yr, BBB+) ¹⁾	5.06	5.86	8.73	8.48	8.64	8.72	0.29
■ Monetary Stabilization Bonds (91-day) ¹⁾	0.56	1.00	3.53	3.56	3.63	3.63	0.08
■ Bank debentures (3-month) ¹⁾	0.84	1.43	4.05	3.69	3.87	3.88	0.20
■ CDs (91-day)	0.66	1.29	3.98	3.69	3.83	3.82	0.13
■ CP (A1, 91-day)	1.09	1.56	5.28	4.03	4.08	4.12	0.08
■ KOSPI	2,873	2,978	2,236	2,556	2,465	2,450	-153
■ KOSDAQ	968	1,034	679	928	841	817	-133

Notes: 1) Average yields on bonds rated by four Korean private credit rating agencies.

2) As of Oct 10.

- **Bank lending to the household sector** (including loans assigned to the Korea Housing Finance Corporation) grew by a much smaller margin in September resulting from slower growth in home mortgage lending and an expanded amount of decline in other lending (+6.9 trillion won in August 2023 → +4.9 trillion won in September 2023; -1.3 trillion won in September 2022).
- Home mortgage lending grew to a smaller extent (+7.0 trillion won → +6.1 trillion won), on the effects of a decreased number of business days, and a tightening of conditions for lending at financial institutions.
 - Other loans contracted by a larger amount (-0.1 trillion won → -1.3 trillion won), influenced by seasonal factors such as inflows of bonus payments for the Chuseok holidays, and write-offs and sales of non-performing loans.

	<u>Apr</u> <u>2023</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug</u>	<u>Sep</u>
■ Apartment sale transactions (nationwide) ¹⁾	3.4	3.7	3.6	3.4	3.7	..
■ Apartment sale transactions (Seoul metropolitan) ¹⁾	1.5	1.6	1.6	1.5	1.6	..
■ Apartment leasehold transactions (nationwide) ¹⁾	5.9	5.6	5.5	5.4	4.9	..
■ New apartment sales (nationwide)	1.2	1.4	1.3	1.8	2.2	1.2
■ Newly occupied apartments (nationwide)	2.4	2.7	4.2	3.0	2.7	2.7

Note: 1) Transaction volume (in 10,000 units) as of the contract date, based on statistics compiled as of Oct. 11, excluding cancelled contracts.

Sources: Ministry of Land, Infrastructure and Transport, Real Estate 114.

Household Loans¹⁾

(changes during period, trillion won)

	2021		2022		2023			Outstanding amount (end-Sep 2023)	
	Jan-Sep	Sep	Jan-Sep	Sep	Jan-Sep	July	Aug		Sep
■ Household loans	63.9	6.4	-1.2	-1.3	21.8	5.9	6.9	4.9	1,079.8
Loans secured by home mortgages ²⁾	47.9	5.6	14.7	0.9	35.0	5.9	7.0	6.1	833.9
Other loans ³⁾	15.9	0.8	-16.0	-2.1	-13.1	-0.0	-0.1	-1.3	244.7

Notes: 1) Based on depository banks (including trust accounts). Trust account lending is not included in the sub-category figures. Including loans assigned to the Korea Housing Finance Corporation.

2) Including housing-related loans, such as loans for leasehold deposits, moving expenses, and intermediate payments that are not collateralized by houses.

3) Consisting of general unsecured loans, credit line loans (overdrafts on accounts), loans collateralized by commercial real estate (shopping centers, etc.), and other loans (time deposit/installment saving-backed loans, stock-backed loans, etc.).

Corporate Funding

- **Bank lending to the corporate sector** grew significantly in September (+8.2 trillion won in August 2023 → +11.3 trillion won in September; +9.4 trillion won in September 2022).
 - Bank lending to large corporations grew by a larger margin (+2.9 trillion won → +4.9 trillion won), particularly in the manufacturing sector, due to sustained corporate demand for funds.
 - Bank lending to SMEs, and lending to small and medium-sized corporations in particular, increased by a larger extent (+5.2 trillion won → +6.4 trillion won), led by banks' efforts to expand their lending, by corporate fund demand for the Chuseok holidays, and by deferrals on loan repayments owing to the last day of the month falling on a holiday.*
 - * Deferrals of repayments of some loans, which were taken out for settlement of bills that are normally repaid at month-end, to early October due to the Chuseok holidays (September 28-October 3).
- **Corporate bonds** showed continued net redemptions (-1.1 trillion won in August 2023 → -0.8 trillion won in September; -0.6 trillion won in September 2022), influenced mainly by the use of alternative funding tools, such as bank loans.
 - There was a net issuance of CP and short-term bonds (-1.8 trillion won → +2.0 trillion won), led largely by that of public corporations.

Corporate Funding

(changes during period, trillion won)

	2021		2022		2023				Outstanding amount (end-Sep 2023)
	Jan-Sep	Sep	Jan-Sep	Sep	Jan-Sep	Jul	Aug	Sep	
■ Bank loans ¹⁾	72.6	7.7	89.9	9.4	67.9	8.7	8.2	11.3	1,238.2
(Large firms)	4.0	0.2	27.9	4.6	28.2	3.8	2.9	4.9	244.0
(SMEs)	68.7	7.4	62.0	4.7	39.8	4.9	5.2	6.4	994.2
<SOHOs>	30.6	3.5	20.1	1.8	7.0	1.5	1.2	0.8	449.7
■ Corporate bonds (net) ²⁾	16.9	2.0	-2.1	-0.6	2.0	-1.1	-1.1	-0.8	..
■ CP, short-term bonds (net) ³⁾	7.5	-1.3	15.6	-0.4	3.2	0.6	-1.8	2.0	59.7
■ Stocks ⁴⁾	24.9	1.8	20.2	0.3	6.5	0.6	0.5	2.9	..

Notes: 1) Based on Korean won-denominated loans at depository banks (including trust accounts).
 2) Based on bonds (including P-CBOs, but excluding ABSs) issued through public offerings.
 3) Based on general companies. 4) Combined total of KOSPI and KOSDAQ markets.

- **Deposit-taking by banks** continued to increase significantly in September, as in the previous month (+27.9 trillion won in August 2023 → +27.1 trillion won in September).
 - Transferable deposits increased substantially* (+1.1 trillion won → +23.1 trillion won), due mainly to inflows of corporate funds for quarter-end financial ratio management.
 - * This was attributable partly to the deferrals of corporate tax payments owing to the last day of the month falling on a holiday.
 - Time deposits reversed to a decrease (+14.0 trillion won → -3.7 trillion won), owing to withdrawals of some corporate funds maturing, which offset continued net inflows of household funds.
- **Funds under management at asset management companies** remained at their level of the previous month (+2.4 trillion won in August 2023 → +0.1 trillion won in September).
 - Deposits into MMFs decreased (-4.0 trillion won → -7.9 trillion won), affected by banks' fund withdrawals to improve their BIS ratios.
 - Stock-type funds decreased (-0.4 trillion won → -0.8 trillion won), while bond-type (+2.7 trillion won → +2.8 trillion won) and other funds (+3.9 trillion won → +6.1 trillion won) continued to increase.

Deposits at Major Financial Institutions

(changes during period, trillion won)

	2021		2022		2023			Outstanding amount (end-Sep 2023)	
	Jan-Sep	Sep	Jan-Sep	Sep	Jan-Sep	Jul	Aug		Sep
■ DMBs¹⁾	138.0	18.2	109.3	36.4	36.9	-23.1	27.9	27.1	2,283.4
(Transferable deposits ²⁾)	104.6	15.7	-52.7	-3.3	-24.5	-36.6	1.1	23.1	874.6
(Time deposits)	15.1	4.0	131.3	32.5	23.7	12.3	14.0	-3.7	968.0
(CDs)	13.1	0.7	12.9	2.7	26.6	3.0	2.2	2.6	72.4
(Bank debentures)	10.3	-4.4	14.5	3.8	-2.8	-3.1	4.5	7.0	296.2
■ AMCs³⁾	77.0	-2.5	35.8	-12.4	71.6	18.8	2.4	0.1	902.7
(MMFs)	16.2	-9.0	6.6	-10.9	18.9	15.1	-4.0	-7.9	170.4
<Corporations>	18.2	-8.3	11.9	-9.9	17.6	15.0	-4.2	-7.7	155.6
(Bond-type)	14.3	0.3	-4.5	-2.3	12.4	1.9	2.7	2.8	132.4
(Stock-type)	8.0	-0.2	-4.1	-3.1	8.2	1.1	-0.4	-0.8	99.5
(Mixed-type)	8.4	0.4	-1.9	-0.9	-2.7	-0.7	0.2	-0.2	24.7
(Other ⁴⁾)	30.2	6.1	39.7	4.9	34.8	1.4	3.9	6.1	475.6

Notes: 1) Excluding deposits of banks, the central government, and non-residents.

2) Including demand deposits.

3) Including private equity funds at securities companies.

4) Derivative funds, real estate funds, funds of funds, special asset funds, and multi-asset funds.

<Ref 1>

Household Loans and Corporate Funding

(changes during period, 100 million won)

	Apr 2023	May	Jun	Jul	Aug	Sep	Outstanding amount (end-Sep 2023)
Household loans¹⁾	22,964	41,557	58,296	58,857	68,734	48,570	10,798,038
Loans secured by home mortgages ²⁾	28,176	42,478	69,460	59,349	69,923	61,192	8,338,547
Corporate loans¹⁾	74,528	78,040	55,413	86,835	81,749	113,198	12,382,442
Large corporations	30,831	34,468	23,998	37,625	29,364	48,966	2,440,327
SMEs	43,697	43,573	31,416	49,210	52,384	64,232	9,942,116
Net issuance of corporate bonds³⁾	-9,125	-29,390	-7,539	-11,248	-11,273	-8,395	..
Net issuance of CP, short-term bonds⁴⁾	16,546	-36,887	-4,709	5,575	-17,799	19,527	597,083

Notes: 1) Based on depository banks (including trust accounts).

2) Excluding trust accounts. Including housing-related loans, such as loans for leasehold deposits, moving expenses, and intermediate payments that are not collateralized by houses.

3) Based on bonds (including P-CBOs, but excluding ABSs) issued through public offerings.

4) Based on general companies.

<Ref 2>

Deposits at Financial Institutions

(changes during period, 100 million won)

	Apr	May	Jun	Jul	Aug	Sep	Outstanding amount (end-Sep 2023)
Bank accounts¹⁾	-133,562	81,651	383,798	-230,955	279,031	271,188	22,833,909
Demand deposits less uncleared checks & bills	-27,399	27,460	77,452	-119,220	-12,663	68,082	3,006,403
Time & savings deposits	-169,993	1,761	350,644	-106,439	180,567	149,135	16,087,342
(Time deposits)	-64,515	104,654	43,880	122,522	139,601	-36,570	9,679,768
(Transferable deposits)	-120,797	-115,273	293,310	-247,190	23,555	163,083	5,739,985
CDs + RPs + cover bills	86,058	51,320	-30,458	26,170	66,568	-16,152	777,709
Bank debentures	-22,229	1,110	-13,841	-31,465	44,560	70,123	2,962,455
Asset management companies²⁾	85,917	-12,479	33,483	188,061	23,623	1,170	9,027,028
MMFs	28,693	-75,894	-54,457	150,980	-40,271	-79,205	1,704,193
Bond investment trusts	20,691	18,878	23,995	18,524	27,397	28,359	1,324,477
Stock investment trusts	-1,719	13,667	18,901	11,466	-4,285	-7,618	995,208
Mixed-type investment trusts	-2,349	-718	-4,385	-7,043	1,976	-1,856	247,379
Other ³⁾	40,601	31,589	49,429	14,135	38,806	61,489	4,755,771
Money in trust funds	190,138	1,456	-107,645	215,194	-11,307	-99,147	3,716,278
Specific money in trusts	188,732	-2,472	-124,316	213,576	-12,993	-104,588	1,903,499
Merchant banking corporations	9,255	-6,017	114	6,380	-2,737	-492	206,887
Bills issued	11,504	-2,694	-9,740	8,271	3,769	-4,147	143,653
CMAs	-2,249	-3,323	9,854	-1,891	-6,506	3,655	63,234
(Bills sold)	9,030	8,200	-7,750	8,720	2,971	-2,334	219,475
Postal savings	2,009	-9,014	-18,790	6,441	-4,146	-3,959	825,773
Deposits at securities companies	25,402	-11,868	-1,111	41,424	-44,077	-15,889	499,900

Notes: 1) Excluding deposits from banks, the central government, and non-residents.

2) Including private equity funds at securities companies.

3) Derivative funds, real estate funds, funds of funds, special asset funds, and multi-asset funds.