

Financial Market Trends in January 2024

- The **Treasury bond yield** rose, mainly affected by a rebound in U.S. Treasury bond yields, stemming from a reversal in expectations of an early policy rate cut by the U.S. Federal Reserve following favorable U.S. economic indicators.
 - The **KOSPI** fell, affected mainly by concerns about an economic slowdown in China and the emergence of geopolitical risks. It then rebounded, thanks, for instance, to expectations of advancements in the semiconductor industry and of government measures to boost the stock market.
 - Growth in **bank lending to the household sector** accelerated slightly in January (+3.1 trillion won in December 2023 → +3.4 trillion won in January 2024), and **bank lending to the corporate sector** shifted to an increase (-5.9 trillion won → +6.7 trillion won).
 - **Deposit-taking by banks** shifted to a decrease in January (+14.1 trillion won in December 2023 → -28.8 trillion won in January 2024), while **funds under management at asset management companies** increased (-16.9 trillion won → +36.2 trillion won).
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- The **Treasury bond yield** rose, mainly affected by a rebound in U.S. Treasury bond yields, stemming from a reversal in expectations of an early policy rate cut by the U.S. Federal Reserve following favorable U.S. economic indicators.
- **Short-term interest rates**, and bank debenture and CD rates in particular, declined, influenced chiefly by inflows into MMF deposits at the beginning of the year, by an expansion of funds operations by institutions, and by a reduced issuance of short-term financial debentures.
- The **KOSPI** fell, affected mainly by concerns about an economic slowdown in China and the emergence of geopolitical risks. It then rebounded, thanks, for instance, to expectations of advancements in the semiconductor industry and of government measures to boost the stock market.

Major Interest Rates and KOSPI

(end-period, %, %p)

	2021	2022	Nov 2023	Dec 2023 (A)	Jan 2024	Feb. 13, 2024 (B)	B - A
■ Treasury bonds (3-yr)	1.80	3.72	3.58	3.15	3.26	3.35	0.20
■ Treasury bonds (10-yr)	2.25	3.73	3.70	3.18	3.35	3.45	0.27
■ U.S. Treasury bonds (10-yr)	1.51	3.87	4.33	3.88	3.91	4.18²⁾	0.30
■ Corporate bonds (3-yr, AA-) ¹⁾	2.41	5.20	4.30	3.89	3.99	4.05	0.16
■ Corporate bonds (3-yr, A-) ¹⁾	3.28	6.19	5.70	5.27	5.32	5.36	0.09
■ Corporate bonds (3-yr, BBB+) ¹⁾	5.86	8.73	8.34	7.92	7.98	8.01	0.09
■ Monetary Stabilization Bonds (91-day) ¹⁾	1.00	3.53	3.58	3.46	3.40	3.42	-0.04
■ Bank debentures (3-month) ¹⁾	1.43	4.05	3.98	3.87	3.66	3.67	-0.20
■ CDs (91-day)	1.29	3.98	3.84	3.83	3.68	3.67	-0.16
■ CP (A1, 91-day)	1.56	5.28	4.36	4.32	4.28	4.28	-0.04
■ KOSPI	2,978	2,236	2,535	2,655	2,497	2,650	-6
■ KOSDAQ	1,034	679	832	867	799	845	-21

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

2) As of Feb. 12, 2024.

- Growth in **bank lending to the household sector** (including loans assigned to the Korea Housing Finance Corporation) accelerated slightly in January (+3.1 trillion won in December 2023 → +3.4 trillion won in January 2024; -4.7 trillion won in January 2023).
- Home mortgage lending* showed growth similar to that in the previous month (+5.1 trillion won → +4.9 trillion won), affected largely by a fall in housing sale transactions, despite cuts in lending rates.
 - * Changes in leasehold deposit loans (trillion won): +0.0 in November 2023 → +0.1 in December → -0.2 in January 2024 (-1.8 in January 2023).
 - Other loans declined, influenced mainly by inflows of bonus payments at the beginning of the year, but the extent of decline was smaller than that in the previous month, which had a seasonal factor of sales and write-offs of non-performing loans at quarter-end (-2.0 trillion won → -1.5 trillion won).

	<u>Aug</u> <u>2023</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u> <u>2024</u>
■ Apartment sale transactions (nationwide) ¹⁾	3.7	3.4	3.2	2.7	2.4	..
■ Apartment sale transactions (Seoul metropolitan) ¹⁾	1.4	1.3	1.0	0.8	0.8	..
■ Apartment leasehold transactions (nationwide) ¹⁾	5.7	5.3	6.0	5.4	5.2	..
■ New apartment sales (nationwide)	2.1	1.2	3.3	2.1	3.1	2.2
■ Newly occupied apartments (nationwide)	2.6	2.8	4.2	4.0	2.5	4.0

Note: 1) Transaction volume (10,000s) as of the contract date, based on statistics compiled as of Feb. 13, excluding cancelled contracts.

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

Household Loans¹⁾

(changes during period, trillion won)

	2022		2023				2024	Outstanding amount (end-Jan2024)	
	Year	Jan	Year	Jan	Oct	Nov	Dec		Jan
■ Household loans	-2.6	-0.5	36.9	-4.7	6.7	5.4	3.1	3.4	1,098.4
Loans secured by home mortgages ²⁾	20.0	2.2	51.6	0.0	5.7	5.7	5.1	4.9	855.3
Other loans ³⁾	-22.9	-2.6	-14.5	-4.6	1.0	-0.4	-2.0	-1.5	241.9

Notes: 1) Based on depository banks (including trust accounts). Trust account lending is not included in 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 real estate.

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 deposits/installment savings-backed loans, stock-backed loans, etc.).

- With respect to **bank lending to the corporate sector**, bank lending to large corporations and bank lending to SMEs both shifted to increases in January (-5.9 trillion won in December 2023 → +6.7 trillion won in January 2024; +7.9 trillion won in January 2023), due mainly to seasonal factors.*

* Including the re-lending of loans temporarily redeemed at the previous year-end, and demand for funds for value-added tax payments (January 25).

- Bank lending to large corporations grew substantially (-2.0 trillion won → +5.2 trillion won), particularly in the context of working capital, due to the re-lending of loans temporarily redeemed at the previous year-end.
 - Bank lending to SMEs reversed to an increase (-3.9 trillion won → +1.5 trillion won), led by lending to small and medium-sized corporations.
- There was a substantial net issuance of corporate bonds (+0.3 trillion won in December 2023 → +4.5 trillion won in January 2024; +3.2 trillion won in January 2023), as corporations increased issuances for rollover purposes prior to maturity amid favorable investment demand at institutions.
- There were huge net issuances of CP and short-term bonds (-4.6 trillion won → +6.6 trillion won), driven by issuances of investment grade bonds.

Corporate Funding

(changes during period, trillion won)

	2022		2023				2024	Outstanding amount (end-Jan 2024)	
	Year	Jan	Year	Jan	Oct	Nov	Dec		Jan
■ Bank loans¹⁾	104.8	13.4	77.4	7.9	8.1	7.3	-5.9	6.7	1,254.4
(Large firms)	37.6	4.2	31.9	6.6	4.3	1.5	-2.0	5.2	253.0
(SMEs)	67.2	9.2	45.5	1.3	3.8	5.8	-3.9	1.5	1,001.4
<SOHOs>	19.7	2.1	7.5	-0.9	0.5	0.9	-1.0	-0.7	449.6
■ Corporate bonds (net)²⁾	-5.9	2.3	-0.9	3.2	-2.3	-0.9	0.3	4.5	..
■ CP, short-term bonds (net)³⁾	23.5	5.8	-1.0	6.9	2.5	-2.1	-4.6	6.6	62.0
■ Stocks⁴⁾	21.7	13.0	11.0	1.5	0.6	3.4	0.6	0.3	..

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** shifted to a decrease in January (+14.1 trillion won in December 2023 → -28.8 trillion won in January 2024).
 - Transferable deposits declined sharply (+42.3 trillion won → -55.2 trillion won), affected chiefly by outflows of corporate funds that had flowed in temporarily in the previous month and also by demand for funds for value-added tax payments.
 - Time deposits reversed to an increase (-22.8 trillion won → +16.6 trillion won), led by funds from corporations and households, owing primarily to banks' efforts to attract funds to meet their regulatory requirements.
- **Funds under management at asset management companies** increased (-16.9 trillion won in December 2023 → +36.2 trillion won in January 2024).
 - Deposits into MMFs increased significantly (-20.6 trillion won → +26.1 trillion won), owing chiefly to banks' re-depositing of funds that they had temporarily withdrawn for year-end BIS capital adequacy ratio management and to inflows of excess Treasury funds.
 - Bond-type funds (-0.1 trillion won → +5.0 trillion won) and other funds (+3.0 trillion won → +4.7 trillion won) flowed in substantially, while stock-type funds (+1.1 trillion won → -0.1 trillion won) declined slightly.

Deposits at Major Financial Institutions

(changes during period, trillion won)

	2022		2023				2024	Outstanding amount (end-Jan 2024)	
	Year	Jan	Year	Jan	Oct	Nov	Dec		Jan
■ DMBs¹⁾	110.4	-17.1	76.4	-48.4	-3.0	28.4	14.1	-28.8	2,294.1
(Transferable deposits ²⁾)	-104.9	-31.0	-0.7	-59.5	-24.5	6.0	42.3	-55.2	843.2
(Time deposits)	200.1	9.7	24.8	-0.9	10.2	13.7	-22.8	16.6	985.6
(CDs)	7.5	1.2	25.4	2.4	1.9	3.4	-6.6	-2.3	68.9
(Bank debentures)	8.9	1.3	14.3	1.9	3.4	11.5	2.2	0.5	313.9
■ AMCs³⁾	45.4	26.6	93.7	50.4	24.8	14.3	-16.9	36.2	961.1
(MMFs)	16.0	22.5	18.3	39.0	22.5	-2.5	-20.6	26.1	195.9
<Corporations>	25.5	23.2	16.7	39.2	22.5	-2.4	-21.0	25.5	180.1
(Bond-type)	-10.1	0.1	16.5	0.9	0.4	3.8	-0.1	5.0	141.4
(Stock-type)	-4.6	-2.7	12.1	4.1	-2.0	4.9	1.1	-0.1	103.4
(Mixed-type)	-3.9	2.2	-3.7	-0.6	-0.3	-0.3	-0.4	0.6	24.3
(Other ⁴⁾)	48.0	4.5	50.5	6.9	4.2	8.5	3.0	4.7	496.0

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)

	Aug 2023	Sep	Oct	Nov	Dec	Jan 2024	Outstanding amount (end-Jan 2024)
Household loans¹⁾	68,734	48,185	67,442	53,550	31,069	33,829	10,983,543
Loans secured by home mortgages ²⁾	69,923	61,045	57,267	57,127	51,112	48,983	8,552,890
Corporate loans¹⁾	81,749	113,198	81,487	72,767	-59,253	66,828	12,544,272
Large corporations	29,364	48,966	43,358	14,725	-20,318	51,723	2,529,815
SMEs	52,384	64,232	38,129	58,043	-38,936	15,105	10,014,456
Net issuance of corporate bonds³⁾	-11,273	-8,395	-22,918	-9,454	2,712	45,158	..
Net issuance of CP, short-term bonds⁴⁾	-17,799	19,527	24,818	-21,092	-45,852	65,527	620,484

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 real estate.

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)

	Aug 2023	Sep	Oct	Nov	Dec	Jan 2024	Outstanding amount (end-Jan 2024)
Bank accounts¹⁾	279,031	271,188	-30,219	284,115	140,995	-287,886	22,940,914
Demand deposits less uncleared checks & bills	-12,663	68,082	-109,055	57,996	90,873	-129,619	2,916,598
Time & savings deposits	180,567	149,135	-25,559	144,196	107,130	-252,361	16,060,748
(Time deposits)	139,601	-36,570	101,798	136,756	-228,197	165,671	9,855,796
(Transferable deposits)	23,555	163,083	-136,185	2,178	332,118	-422,370	5,515,726
CDs + RPs + cover bills	66,568	-16,152	70,549	-32,914	-79,275	88,629	824,699
Bank debentures	44,560	70,123	33,846	114,836	22,268	5,464	3,138,869
Asset management companies²⁾	23,623	1,170	247,602	142,670	-168,918	362,475	9,610,856
MMFs	-40,271	-79,205	224,971	-25,280	-205,574	260,981	1,959,291
Bond investment trusts	27,397	28,359	3,778	37,572	-912	49,544	1,414,459
Stock investment trusts	-4,285	-7,618	-20,394	48,926	11,083	-661	1,034,161
Mixed-type investment trusts	1,976	-1,856	-3,029	-3,269	-3,786	5,917	243,213
Other ³⁾	38,806	61,489	42,276	84,721	30,271	46,693	4,959,732
Money in trust funds	-11,307	-99,147	245,334	-129,737	-114,726	303,232	4,020,379
Specific money in trusts	-12,993	-104,588	238,728	-151,577	-235,220	311,812	2,067,243
Merchant banking corporations	-2,737	-492	1,817	4,106	-2,151	8,767	219,426
Bills issued	3,769	-4,147	2,982	8,498	-10,294	17,505	162,344
CMAs	-6,506	3,655	-1,165	-4,392	8,143	-8,738	57,082
(Bills sold)	2,971	-2,334	10,290	-4,325	-8,736	8,811	225,515
Postal savings	-4,146	-3,959	7,450	-416	4,419	19,517	856,743
Deposits at securities companies	-44,077	-15,889	-39,330	24,240	42,727	-20,103	507,434

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.