

Financial Market Trends in May 2024

- **Treasury bond yields**, together with government bonds in major countries, fell substantially, driven mainly by easing concerns about delaying U.S. Federal Reserve's pivot and due to recent policy rate cuts at the ECB and at the Bank of Canada.
 - The **KOSPI** continued its upward trend due to easing geopolitical tensions in the Middle East and improved corporate performance, but experienced a downturn since late May mainly due to stock sales by foreign investors, particularly in the electrical and electronic industries.
 - The extent of growth in **bank lending to the household sector** expanded in May (+5.0 trillion won in April → +6.0 trillion won in May 2024), while the extent of growth in **bank lending to the corporate sector** decreased (+11.9 trillion won → +6.9 trillion won).
 - **Deposit-taking by banks** shifted to an increase in May (-32.8 trillion won in April 2024 → +25.0 trillion won in May), and **funds under management at asset management companies** also continued to grow (+16.6 trillion won → +17.6 trillion won).
-

1

Interest Rates and Stock Prices

- Treasury bond yields, together with government bonds in major countries, fell substantially, driven mainly by easing concerns about delaying U.S. Federal Reserve's pivot and due to recent policy rate cuts at the ECB and at the Bank of Canada.
- Concerning **short-term interest rates**, CD rates increased slightly due mainly to a higher issuance volume, but other short-term interest rates remained unchanged overall.
- The **KOSPI** continued its upward trend due to easing geopolitical tensions in the Middle East and improved corporate performance, but experienced a downturn since late May mainly due to stock sales by foreign investors, particularly in the electrical and electronic industries.

Major Interest Rates and KOSPI

(end-period, %, %p)

	2021	2022	2023	April 2024 (A)	May	June 11 (B)	B - A
■ Treasury bonds (3-yr)	1.80	3.72	3.15	3.53	3.45	3.34	-0.19
■ Treasury bonds (10-yr)	2.25	3.73	3.18	3.66	3.58	3.43	-0.23
■ U.S. Treasury bonds (10-yr)	1.51	3.87	3.88	4.68	4.50	4.47²⁾	-0.21
■ Corporate bonds (3-yr, AA-) ¹⁾	2.41	5.20	3.89	3.99	3.88	3.78	-0.21
■ Corporate bonds (3-yr, A-) ¹⁾	3.28	6.19	5.27	5.20	5.08	4.97	-0.23
■ Corporate bonds (3-yr, BBB+) ¹⁾	5.86	8.73	7.92	7.78	7.60	7.49	-0.29
■ Monetary Stabilization Bonds (91-day) ¹⁾	1.00	3.53	3.46	3.46	3.45	3.45	-0.01
■ Bank debentures (3-month) ¹⁾	1.43	4.05	3.87	3.59	3.60	3.59	0.00
■ CDs (91-day)	1.29	3.98	3.83	3.57	3.61	3.60	0.03
■ CP (A1, 91-day)	1.56	5.28	4.32	4.22	4.22	4.22	0.00
■ KOSPI	2,978	2,236	2,655	2,692	2,637	2,705	13
■ KOSDAQ	1,034	679	867	869	840	868	-1

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

2) As of June 10, 2024.

2

Household Loans

- The extent of growth in **bank lending to the household sector*** expanded in May led by housing mortgage lending (+5.0 trillion won in April → +6.0 trillion won in May 2024; +4.2 trillion won in May 2023).

* Including the National Housing and Urban Fund's direct loan-type policy loans,

- The extent of growth in home mortgage lending expanded* (+4.5 trillion won → +5.7 trillion won), as the National Housing and Urban Fund's policy loans were mostly financed by banks,** with demand for funds continuing mainly in line with an increase in housing transactions.

* Changes in leasehold deposit loans (trillion won): -1.7 in Mar 2024 → -0.0 in Apr → +0.7 in May (- 0.6 in May 2023).

** Changes in the bank-funded portion of the National Housing and Urban Fund's policy loans (trillion won): 0.3 in March 2024 → 2.8 in April → 3.8 in May.

- Other loans grew slightly, as in the previous month (+0.6 trillion won → +0.3 trillion won), affected chiefly by seasonal demand for funds (including Family Month).

	Dec 2023	Jan 2024	Feb	Mar	Apr	May
▪ Apartment sale transactions (nationwide) ¹⁾	2.4	3.1	3.0	3.9	3.7	..
▪ Apartment sale transactions (Seoul metropolitan) ¹⁾	0.9	1.2	1.2	1.7	1.7	..
▪ Apartment leasehold transactions (nationwide) ¹⁾	5.7	6.2	5.4	5.5	4.4	..
▪ New apartment sales (nationwide)	3.2	2.2	1.9	1.8	1.8	2.2
▪ Newly occupied apartments (nationwide)	2.4	4.0	3.1	3.8	2.0	3.0

Note: 1) Transaction volume (10,000s) as of the contract date, based on statistics compiled as of June 11, 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-May 2024)	
	Jan.-May	May	Jan.-May	May	Jan.-May	March	April		May
▪ Household loans	-0.1	0.4	-1.7	4.2	14.6	-1.7	5.0	6.0	1,109.6
Loans secured by home mortgages ²⁾	8.8	0.8	9.0	4.2	20.3	0.5	4.5	5.7	870.7
Other loans ³⁾	-9.1	-0.5	-10.5	-0.0	-5.6	-2.2	0.6	0.3	237.8

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, and the National Housing and Urban Fund's policy loans financed by banks.

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.).

3

Corporate Funding

- **Bank lending to the corporate sector** continued to grow in May, led by lending to SMEs, but the extent of growth decreased due chiefly to the lapse in seasonal factors (+11.9 trillion won in April 2024 → +6.9 trillion won in May; +7.8 trillion won in May 2023).
 - Growth in bank lending to large corporations slowed (+6.5 trillion won → +1.1 trillion won), particularly in the context of working capital, affected chiefly by the lapse in last month's seasonal factors (including the re-lending of loans temporarily redeemed at the quarter-end, as well as dividend payments).
 - Bank lending to SMEs remained on the rise (+5.4 trillion won → +5.8 trillion won), led by banks' continued efforts to strengthen loan sales, as well as by demand for funds to be used for facilities.
- There were continued net redemptions of **corporate bonds** as in the previous month (-2.5 trillion won in April 2024 → -1.5 trillion won in May; -2.9 trillion won in May 2023), affected largely by the large issuance in advance at the beginning of the year and by a reduced volume of issuance owing mainly to seasonal factors.
 - There were slight net issuances of CP and short-term bonds (+3.6 trillion won → +1.4 trillion won), and particularly of investment grade bonds.

Corporate Funding

(changes during period, trillion won)

	2022		2023		2024			Outstanding amount (end-May 2024)	
	Jan-May	May	Jan-May	May	Jan-May	Mar	Apr		May
■ Bank loans ¹⁾	53.6	13.1	34.2	7.8	43.8	10.4	11.9	6.9	1,291.6
(Large firms)	14.4	4.2	14.2	3.4	20.2	4.1	6.5	1.1	268.0
(SMEs)	39.2	8.9	20.0	4.4	23.7	6.2	5.4	5.8	1,023.6
<Small- and medium-sized corporations>	26.9	6.9	16.8	3.5	20.1	5.0	4.3	5.1	569.8
<SOHOs>	12.3	2.0	3.3	0.8	3.5	1.3	1.1	0.8	453.8
■ Corporate bonds (net) ²⁾	0.9	-1.6	5.9	-2.9	4.5	0.5	-2.5	-1.5	..
■ CP, short-term bonds (net) ³⁾	13.8	-1.5	2.9	-3.7	5.3	-5.5	3.6	1.4	60.8
■ Stocks ⁴⁾	17.7	0.4	2.1	0.3	3.6	1.9	1.0	0.2	..

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.

4

Flow of Funds

- **Deposit-taking by banks** shifted to an increase in May (-32.8 trillion won in April 2024 → +25.0 trillion won in May), led by time deposits.
 - Transferable deposits declined slightly (-45.0 trillion won → -1.2 trillion won), driven chiefly by households' deposit withdrawals due to seasonal demand for funds, which more than offset inflows of funds from corporations and local governments.
 - Time deposits shifted to a substantial increase (-4.7 trillion won → +13.9 trillion won), boosted largely by increased funding by some banks in preparation for the phased normalization of LCR requirements.*
- * Bank LCR requirements are expected to be adjusted upward to 97.5% in July 2024 (and to 100% in January 2025) from the current 95%.
- **Funds under management at asset management companies** continued to grow (+16.6 trillion won in April 2024 → +17.6 trillion won in May).
 - MMFs continued to increase as in the previous month (+8.5 trillion won → +6.3 trillion won), driven by corporate funds.
 - Inflows into bond-type funds (+5.0 trillion won → +3.5 trillion won) and other funds (+3.2 trillion won → +5.8 trillion won) continued, while stock-type funds reversed to an increase (-0.9 trillion won → +1.4 trillion won).

Deposits at Major Financial Institutions

(changes during period, trillion won)

	2022		2023		2024			Outstanding amount (end-May 2024)	
	Jan-May	May	Jan-May	May	Jan-May	Mar	Apr		May
■ DMBs ¹⁾	51.1	27.8	-33.4	8.2	31.8	36.0	-32.8	25.0	2,354.6
(Transferable deposits) ²⁾	3.8	1.7	-49.2	-8.8	-17.9	48.5	-45.0	-1.2	880.6
(Time deposits)	36.5	19.5	-3.2	10.5	36.8	-13.3	-4.7	13.9	1,005.8
(CDs)	7.1	2.1	18.6	2.1	1.5	3.7	4.9	1.6	72.7
(Bank debentures)	0.1	2.5	-9.7	0.1	16.2	1.8	8.1	5.8	329.6
■ AMCs ³⁾	39.7	-5.5	46.9	-1.2	85.8	-2.1	16.6	17.6	1,010.7
(MMFs)	21.1	-6.7	21.2	-7.6	33.6	-12.4	8.5	6.3	203.5
<Corporations>	22.6	-6.2	20.1	-7.8	31.8	-12.7	8.3	5.7	186.4
(Bond-type)	-2.7	-2.1	2.6	1.9	16.7	0.4	5.0	3.5	153.2
(Stock-type)	-0.3	0.5	6.3	1.4	9.2	4.4	-0.9	1.4	112.6
(Mixed-type)	0.6	-0.5	-1.5	-0.1	3.2	0.6	0.7	0.5	26.9
(Other) ⁴⁾	21.0	3.4	18.4	3.2	23.1	4.9	3.2	5.8	514.4

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, trillion won)

	Dec 2023	Jan 2024	Feb	Mar	Apr	May	Outstanding amount (end-May 2024)
Household loans¹⁾	3.1	3.3	1.9	-1.7	5.0	6.0	1,109.6
Loans secured by home mortgages ²⁾	5.1	4.9	4.7	0.5	4.5	5.7	870.7
Other loans ³⁾	-2.0	-1.5	-2.8	-2.2	0.6	0.3	237.8
Corporate loans¹⁾	-5.9	6.7	8.0	10.4	11.9	6.9	1,291.6
Large corporations	-2.0	5.2	3.3	4.1	6.5	1.1	268.0
SMEs	-3.9	1.5	4.7	6.2	5.4	5.8	1,023.6
<Small- and medium-sized corporations>	-2.9	2.2	3.6	5.0	4.3	5.1	569.8
<SOHOs>	-1.0	-0.7	1.1	1.3	1.1	0.8	453.8
Net issuance of corporate bonds⁴⁾	0.3	4.5	3.6	0.5	-2.5	-1.5	..
Net issuance of CP, short-term bonds⁵⁾	-4.6	6.6	-0.8	-5.5	3.6	1.4	60.8

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) 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.).

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

5) Based on general companies.

<Ref 2>

Deposits at Financial Institutions

(changes during period, trillion won)

	Dec 2023	Jan 2024	Feb	Mar	Apr	May	Outstanding amount (end-May 2024)
Bank accounts¹⁾	14.1	-28.8	32.4	36.0	-32.8	25.0	2,354.6
Demand deposits less uncleared checks & bills	9.1	-13.0	13.7	12.3	-12.8	-2.2	302.6
Time & savings deposits	10.7	-25.2	31.8	21.6	-35.1	16.9	1,641.2
(Time deposits)	-22.8	16.6	24.3	-13.3	-4.7	13.9	1,005.8
(Transferable deposits)	33.2	-42.2	21.4	36.2	-32.2	1.0	577.9
CDs + RPs + Cover bills	-7.9	8.9	-13.1	0.3	7.1	4.5	81.2
Bank debentures	2.2	0.5	0.0	1.8	8.1	5.8	329.6
Asset management companies²⁾	-16.9	36.2	17.5	-2.1	16.6	17.6	1,010.7
MMFs	-20.6	26.1	5.1	-12.4	8.5	6.3	203.5
Bond investment trusts	-0.1	5.0	2.8	0.4	5.0	3.5	153.2
Stock investment trusts	1.1	-0.1	4.3	4.4	-0.9	1.4	112.6
Mixed-type investment trusts	-0.4	0.6	0.7	0.6	0.7	0.5	26.9
Other ³⁾	3.0	4.7	4.5	4.9	3.2	5.8	514.4
Money in trust funds	-11.5	30.3	-11.4	-5.8	4.8	-0.9	388.7
Specific money in trusts	-23.5	31.2	-12.6	-6.3	4.5	-1.3	191.1
Merchant banking corporations	-0.2	0.9	0.5	-0.5	0.5	0.1	22.5
Bills issued	-1.0	1.8	0.2	-0.8	1.0	0.2	16.7
CMAAs	0.8	-0.9	0.3	0.3	-0.5	-0.1	5.7
(Bills sold)	-0.9	0.9	1.5	-0.7	1.0	0.4	24.8
Postal savings	0.4	2.0	1.0	-1.1	0.2	0.5	86.2
Deposits at securities companies	4.3	-2.0	3.6	2.2	0.7	-2.8	54.4

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.