

Financial Market Trends in March 2024

- **Treasury bond yields** fell, affected mainly by expectations of a monetary policy pivot in major countries, but then they rebounded, driven by higher-than-expected U.S. economic indicators.
 - The **KOSPI** rose, thanks, for instance, to expectations of improvements in business conditions for the semiconductor industry, dovish U.S. FOMC meeting results, and foreign investors' net buying.
 - **Bank lending to the household sector** shifted to a decrease in March (+1.9 trillion won in February 2024 → -1.6 trillion won in March). Meanwhile, **bank lending to the corporate sector** increased by a large extent (+8.0 trillion won → +10.4 trillion won).
 - **Deposit-taking by banks** increased substantially in March as in the previous month (+32.4 trillion won in February 2024 → +36.0 trillion won in March), while **funds under management at asset management companies** declined slightly (+17.5 trillion won → -2.1 trillion won).
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Interest Rates and Stock Prices

- Treasury bond yields fell, affected mainly by expectations of a monetary policy pivot in major countries, but then they rebounded, driven by higher-than-expected U.S. economic indicators.
 - o Corporate bond rates declined substantially, led chiefly by strong investment demand stemming largely from their favorable interest rates.
- Short-term interest rates, and bank debenture and CD rates in particular, decreased, influenced chiefly by favorable supply and demand conditions, such as inflows into MMF deposits.
- The KOSPI rose,^{*} thanks, for instance, to expectations of improvements in business conditions for the semiconductor industry, dovish U.S. FOMC meeting results, and foreign investors' net buying.

* The KOSPI hit a new yearly high on March 26 (2,757).

Major Interest Rates and KOSPI

(end-period, %, %p)

	2021	2022	2023	Feb 2024 (A)	Mar 2024	Apr 9 (B)	B - A
■ Treasury bonds (3-yr)	1.80	3.72	3.15	3.39	3.32	3.39	0.00
■ Treasury bonds (10-yr)	2.25	3.73	3.18	3.48	3.41	3.50	0.02
■ U.S. Treasury bonds (10-yr)	1.51	3.87	3.88	4.25	4.20	4.42 ²⁾	0.17
■ Corporate bonds (3-yr, AA-) ¹⁾	2.41	5.20	3.89	4.02	3.91	3.93	-0.09
■ Corporate bonds (3-yr, A-) ¹⁾	3.28	6.19	5.27	5.32	5.16	5.15	-0.17
■ Corporate bonds (3-yr, BBB+) ¹⁾	5.86	8.73	7.92	7.95	7.73	7.73	-0.22
■ Monetary Stabilization Bonds (91-day) ¹⁾	1.00	3.53	3.46	3.47	3.46	3.46	-0.01
■ Bank debentures (3-month) ¹⁾	1.43	4.05	3.87	3.72	3.64	3.58	-0.14
■ CDs (91-day)	1.29	3.98	3.83	3.69	3.64	3.57	-0.12
■ CP (A1, 91-day)	1.56	5.28	4.32	4.28	4.24	4.23	-0.05
■ KOSPI	2,978	2,236	2,655	2,642	2,747	2,705	63
■ KOSDAQ	1,034	679	867	863	906	859	-4

Notes: 1) Average yields on bonds rated by four private Korean credit rating agencies.
2) As of April 8, 2024.

- **Bank lending to the household sector** (including loans assigned to the Korea Housing Finance Corporation) shifted to a decrease in March (+1.9 trillion won in February 2024 → -1.6 trillion won in March; -0.7 trillion won in March 2023), with the extent of growth in home mortgage lending lessening substantially and with other loans declining significantly.
- The extent of growth in home mortgage lending* lessened substantially (+4.9 trillion won → +0.5 trillion won), mainly because the National Housing and Urban Fund's policy loan was self-financed* and because demand for funds for leasehold deposits also decreased.**
 - * Not included in banks' household loans, but included in household credit statistics.
 - ** Changes in leasehold deposit loans (trillion won):
-0.2 in Jan 2024 → +0.2 in Feb 2024 → -1.7 in Mar (-2.3 in Mar 2023).
 - Other loans declined significantly (-2.8 trillion won → -2.1 trillion won), as in the previous month, influenced mainly by sustained redemptions of unsecured loans, and write-offs and sales of NPLs at the quarter-end.

	Oct 2023	Nov	Dec	Jan 2024	Feb	Mar
▪ Apartment sale transactions (nationwide) ¹⁾	3.2	2.7	2.4	3.1	3.0	..
▪ Apartment sale transactions (Seoul metropolitan) ¹⁾	1.2	0.9	0.9	1.2	1.2	..
▪ Apartment leasehold transactions (nationwide) ¹⁾	6.0	5.5	5.6	5.9	4.5	..
▪ New apartment sales (nationwide)	3.3	2.1	3.2	2.2	1.9	1.8
▪ Newly occupied apartments (nationwide)	4.3	3.9	2.4	4.0	3.0	3.8

Note: 1) Transaction volume (10,000s) as of the contract date, based on statistics compiled as of Apr. 9, 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-Mar 2024)	
	Jan-Mar	Mar	Jan-Mar	Mar	Jan-Mar	Jan	Feb		Mar
▪ Household loans	-1.7	-1.0	-8.1	-0.7	3.6	3.3	1.9	-1.6	1,098.6
Loans secured by home mortgages ²⁾	6.0	2.1	2.0	2.3	10.1	4.9	4.7	0.5	860.5
Other loans ³⁾	-7.7	-3.1	-10.0	-3.0	-6.4	-1.5	-2.8	-2.1	236.9

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.).

- **Bank lending to the corporate sector** increased by a large extent in March (+8.0 trillion won in February 2024 → +10.4 trillion won in March; +5.9 trillion won in March 2023), driven by banks' strategies to expand corporate lending, combined with corporate demand for funds.
 - Growth in bank lending to large corporations accelerated (+3.3 trillion won → +4.1 trillion won), due to some large corporations' demand for funds to be used for facilities, more than offsetting temporary redemptions for quarter-end financial ratio management.
 - Bank lending to SMEs exhibited higher growth (+4.7 trillion won → +6.2 trillion won), led by strengthening of bank loan operations and demand of small and medium-sized corporations for funds for corporate tax payments (April 1).
- Net issuance of **corporate bonds** declined (+3.6 trillion won in February 2024 → +0.5 trillion won in March; +2.2 trillion won in March 2023), owing chiefly to seasonal factors.
 - There was a large net redemption of CP and short-term bonds (-0.8 trillion won → -5.5 trillion won), affected by quarter-end financial ratio management and temporary redemptions by some public corporations.

Corporate Funding

(changes during period, trillion won)

	2022		2023		2024				Outstanding amount (end-Mar 2024)
	Jan-Mar	Mar	Jan-Mar	Mar	Jan-Mar	Jan	Feb	Mar	
■ Bank loans ¹⁾	28.3	8.6	19.0	5.9	25.0	6.7	8.0	10.4	1,272.8
(Large firms)	5.8	0.9	7.6	0.1	12.6	5.2	3.3	4.1	260.4
(SMEs)	22.6	7.7	11.3	5.7	12.4	1.5	4.7	6.2	1,012.4
<SOHOs>	7.7	2.9	1.4	1.0	1.7	-0.7	1.1	1.3	451.9
■ Corporate bonds (net) ²⁾	2.2	-0.9	9.7	2.2	8.6	4.5	3.6	0.5	-
■ CP, short-term bonds (net) ³⁾	10.8	0.6	4.9	-0.3	0.2	6.6	-0.8	-5.5	55.7
■ Stocks ⁴⁾	13.8	0.8	1.8	0.1	2.4	0.3	0.2	1.9	-

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** increased substantially in March (+32.4 trillion won in February 2024 → +36.0 trillion won in March), led by transferable deposits.
 - Transferable deposits expanded significantly (+35.1 trillion won → +48.5 trillion won), boosted by quarter-end financial ratio management and corporate deposits for April dividend payments.
 - Time deposits declined substantially (+24.3 trillion won → -13.3 trillion won), influenced by weakening of banks' funding incentives and large-scale time-deposit ABCPs reaching maturity.
- **Funds under management at asset management companies** declined slightly (+17.5 trillion won in February 2024 → -2.1 trillion won in March).
 - There was a shift to a decrease in MMFs (+5.1 trillion won → -12.4 trillion won), affected by outflows of corporate funds for quarter-end financial ratio management.
 - Stock-type funds (+4.3 trillion won → +4.4 trillion won) and other funds (+4.5 trillion won → +4.9 trillion won) continued to grow substantially as in the previous month.

Deposits at Major Financial Institutions

(changes during period, trillion won)

	2022		2023		2024				Outstanding amount (end-Mar 2024)
	Jan-Mar	Mar	Jan-Mar	Mar	Jan-Mar	Jan	Feb	Mar	
■ DMBs¹⁾	16.6	8.0	-28.2	-2.0	39.6	-28.8	32.4	36.0	2,362.5
(Transferable deposits) ²⁾	6.7	16.3	-25.6	12.5	28.4	-55.2	35.1	48.5	926.8
(Time deposits)	13.3	-3.6	-7.2	-8.8	27.6	16.6	24.3	-13.3	996.6
(CDs)	3.6	1.0	11.9	4.2	-5.0	-2.3	-6.4	3.7	66.2
(Bank debentures)	-5.1	-4.3	-7.6	-5.4	2.3	0.5	0.0	1.8	315.7
■ AMCs³⁾	33.8	4.3	39.6	-11.6	51.6	36.2	17.5	-2.1	976.5
(MMFs)	17.5	-1.2	25.9	-10.9	18.8	26.1	5.1	-12.4	188.6
<Corporations>	18.5	-1.1	25.7	-11.2	17.8	25.5	5.0	-12.7	172.4
(Bond-type)	0.0	-2.1	-1.4	-2.6	8.2	5.0	2.8	0.4	144.7
(Stock-type)	0.3	1.8	5.1	-0.2	8.7	-0.1	4.3	4.4	112.1
(Mixed-type)	1.6	0.0	-1.2	-0.4	2.0	0.6	0.7	0.6	25.7
(Other) ⁴⁾	14.4	5.9	11.2	2.5	14.1	4.7	4.5	4.9	505.4

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)

	Oct 2023	Nov	Dec	Jan 2024	Feb	Mar	Outstanding amount (end-Mar 2024)
Household loans¹⁾	6.7	5.4	3.1	3.3	1.9	-1.6	1,098.6
Loans secured by home mortgages ²⁾	5.7	5.7	5.1	4.9	4.7	0.5	860.5
Other loans ³⁾	1.0	-0.4	-2.0	-1.5	-2.8	-2.1	236.9
Corporate loans¹⁾	8.1	7.3	-5.9	6.7	8.0	10.4	1,272.8
Large corporations	4.3	1.5	-2.0	5.2	3.3	4.1	260.4
SMEs	3.8	5.8	-3.9	1.5	4.7	6.2	1,012.4
<SOHOs>	0.5	0.9	-1.0	-0.7	1.1	1.3	451.9
Net issuance of corporate bonds⁴⁾	-2.3	-0.9	0.3	4.5	3.6	0.5	..
Net issuance of CP, short-term bonds⁵⁾	2.5	-2.1	-4.6	6.6	-0.8	-5.5	55.7

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)

	Oct 2023	Nov	Dec	Jan 2024	Feb	Mar	Outstanding amount (end-Mar 2024)
Bank accounts¹⁾	-3.0	28.4	14.1	-28.8	32.4	36.0	2,362.5
Demand deposits less uncleared checks & bills	-10.9	5.8	9.1	-13.0	13.7	12.3	317.7
Time & savings deposits	-2.6	14.4	10.7	-25.2	31.8	21.6	1,659.5
(Time deposits)	10.2	13.7	-22.8	16.6	24.3	-13.3	996.6
(Transferable deposits)	-13.6	0.2	33.2	-42.2	21.4	36.2	609.1
CDs + RPs + cover bills	7.1	-3.3	-7.9	8.9	-13.1	0.3	69.6
Bank debentures	3.4	11.5	2.2	0.5	0.0	1.8	315.7
Asset management companies²⁾	24.8	14.3	-16.9	36.2	17.5	-2.1	976.5
MMFs	22.5	-2.5	-20.6	26.1	5.1	-12.4	188.6
Bond investment trusts	0.4	3.8	-0.1	5.0	2.8	0.4	144.7
Stock investment trusts	-2.0	4.9	1.1	-0.1	4.3	4.4	112.1
Mixed-type investment trusts	-0.3	-0.3	-0.4	0.6	0.7	0.6	25.7
Other ³⁾	4.2	8.5	3.0	4.7	4.5	4.9	505.4
Money in trust funds	24.5	-13.0	-11.5	30.3	-11.4	-5.8	384.9
Specific money in trusts	23.9	-15.2	-23.5	31.2	-12.6	-6.3	187.9
Merchant banking corporations	0.2	0.4	-0.2	0.9	0.5	-0.5	21.9
Bills issued	0.3	0.8	-1.0	1.8	0.2	-0.8	15.6
CMAs	-0.1	-0.4	0.8	-0.9	0.3	0.3	6.3
(Bills sold)	1.0	-0.4	-0.9	0.9	1.5	-0.7	23.4
Postal savings	0.7	0.0	0.4	2.0	1.0	-1.1	85.5
Deposits at securities companies	-3.9	2.4	4.3	-2.0	3.6	1.7	56.0

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.