

Financial Market Trends in June 2024

- **Treasury bond yields** fell substantially, driven mainly by stronger expectations of a monetary policy pivot following a slowdown in domestic and global inflation.
 - The **KOSPI** increased, led chiefly by a rise in U.S. stock prices, the outlook for growth in the AI industry, strong exports, and foreign investors' net buying.
 - In June, **bank lending to the household sector** maintained its growth at the previous month's level (+6.0 trillion won in May → +6.0 trillion won in June 2024). Meanwhile, the extent of growth in **bank lending to the corporate sector** decreased (+6.9 trillion won → +5.3 trillion won).
 - **Deposit-taking by banks** continued to grow substantially in June, as in the previous month (+25.0 trillion won in May 2024 → +26.4 trillion won in June). Meanwhile, there was a reversal to a decrease in **funds under management at asset management companies** (+17.6 trillion won → -2.5 trillion won).
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Interest Rates and Stock Prices

- **Treasury bond yields** fell substantially, driven mainly by stronger expectations of a monetary policy pivot following a slowdown in domestic and global inflation.
 - **Short-term interest rates** remained steady overall, and then went down in July, affected largely by the domestic CPI falling short of forecasts and inflows into MMF deposits.
- The **KOSPI** increased, led chiefly by a rise in U.S. stock prices, the outlook for growth in the AI industry, strong exports, and foreign investors' net buying.

Major Interest Rates and KOSPI

(end-period, %, %p)

	2021	2022	2023	May 2024 (A)	June	July 9 (B)	B - A
■ Treasury bonds (3-yr)	1.80	3.72	3.15	3.45	3.18	3.11	-0.33
■ Treasury bonds (10-yr)	2.25	3.73	3.18	3.58	3.27	3.19	-0.35
■ U.S. Treasury bonds (10-yr)	1.51	3.87	3.88	4.50	4.40	4.28²⁾	-0.22
■ Corporate bonds (3-yr, AA-) ¹⁾	2.41	5.20	3.89	3.88	3.64	3.57	-0.30
■ Corporate bonds (3-yr, A-) ¹⁾	3.28	6.19	5.27	5.08	4.80	4.73	-0.35
■ Corporate bonds (3-yr, BBB+) ¹⁾	5.86	8.73	7.92	7.60	7.32	7.24	-0.36
■ Monetary Stabilization Bonds (91-day) ¹⁾	1.00	3.53	3.46	3.45	3.45	3.35	-0.08
■ Bank debentures (3-month) ¹⁾	1.43	4.05	3.87	3.60	3.59	3.44	-0.13
■ CDs (91-day)	1.29	3.98	3.83	3.61	3.60	3.56	-0.04
■ CP (A1, 91-day)	1.56	5.28	4.32	4.22	4.17	4.12	-0.08
■ KOSPI	2,978	2,236	2,655	2,637	2,798	2,867	225
■ KOSDAQ	1,034	679	867	840	840	860	7

Note: 1) Average yields on bonds rated by four private Korean credit rating agencies.
2) As of July 8.

- In June, **bank lending to the household sector*** maintained its growth at the previous month's level (+6.0 trillion won in May → +6.0 trillion won in June 2024; +5.8 trillion won in June 2023), with the extent of growth in home mortgage lending increasing further and other loans shifting to a decrease.

* Including loans assigned to the Korea Housing Finance Corporation, and the National Housing and Urban Fund's policy loans that aim to preserve interest rate differentials.

- The extent of growth in home mortgage lending expanded somewhat* (+5.7 trillion won → +6.3 trillion won), boosted by a rise in housing transactions, a fall in lending rates, and the continued supply of policy loans.**

* Changes in leasehold deposit loans (trillion won): -0.0 in April → +0.7 in May → +0.6 in June 2024 (+0.1 in June 2023).

** Changes in the National Housing and Urban Fund's policy loans (trillion won): 2.8 in April → 3.9 in May → 3.8 in June 2024.

- Other loans reversed to a decrease (+0.3 trillion won → -0.3 trillion won), due to write-offs and sales of NPLs at the quarter-end.

	<u>Jan</u> <u>2024</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>
▪ Apartment sale transactions (nationwide) ¹⁾	3.1	3.0	3.9	3.7	3.9	..
▪ Apartment sale transactions (Seoul metropolitan) ¹⁾	1.2	1.2	1.7	1.7	1.8	..
▪ Apartment leasehold transactions (nationwide) ¹⁾	6.3	5.4	5.7	4.8	4.5	..
▪ New apartment sales (nationwide)	2.2	1.9	1.8	1.9	2.2	1.6
▪ Newly occupied apartments (nationwide)	4.0	3.1	3.8	2.0	3.0	2.6

Note: 1) Transaction volume (10,000s) as of the contract date, based on statistics compiled as of July 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-Jun2024)	
	Jan-Jun	Jun	Jan-Jun	Jun	Jan-Jun	Apr	May		Jun
▪ Household loans	0.1	0.2	4.1	5.8	20.5	5.0	6.0	6.0	1,115.5
Loans secured by home mortgages ²⁾	10.2	1.4	16.0	6.9	26.5	4.5	5.7	6.3	876.9
Other loans ³⁾	-10.3	-1.2	-11.7	-1.2	-5.9	0.6	0.3	-0.3	237.4

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.).

- The extent of growth in **bank lending to the corporate sector** decreased in June, due mainly to seasonal factors at the end of the first half (+6.9 trillion won in May 2024 → +5.3 trillion won in June; +5.5 trillion won in June 2023).
 - Bank lending to large corporations showed only a slight increase (+1.1 trillion won → +0.7 trillion won), owing primarily to improved sales performance and to temporary redemptions made for financial ratio management at the end of the first half.
 - Bank lending to SMEs increased by a smaller margin in June than it did a month earlier (+5.8 trillion won → +4.6 trillion won), influenced, for instance, by sales and write-offs of non-performing loans, despite sustained demand for funds to be used for facilities by small and medium-sized corporations.
- There were continued net redemptions of **corporate bonds** (-1.5 trillion won in May 2024 → -1.7 trillion won in June; -0.8 trillion won in June 2023), affected largely by the issuance in advance at the beginning of the year for rollover purposes.
 - CP and short-term bonds shifted to net redemptions (+1.4 trillion won → -1.6 trillion won), due to temporary redemptions at the end of the first half by large enterprises.

Corporate Funding

(changes during period, trillion won)

	2022		2023		2024				Outstanding amount (end-June 2024)
	Jan-June	June	Jan-June	June	Jan-June	Apr	May	June	
■ Bank loans ¹⁾	59.6	6.0	39.8	5.5	49.1	11.9	6.9	5.3	1,296.9
(Large firms)	15.0	0.7	16.6	2.4	20.8	6.5	1.1	0.7	268.6
(SMEs)	44.6	5.4	23.2	3.1	28.3	5.4	5.8	4.6	1,028.2
<Small and medium-sized corporations>	30.6	3.7	19.7	3.0	24.5	4.3	5.1	4.4	574.2
<SOHOs>	14.0	1.7	3.4	0.2	3.8	1.1	0.8	0.3	454.1
■ Corporate bonds (net) ²⁾	-0.3	-1.2	5.1	-0.8	2.8	-2.5	-1.5	-1.7	..
■ CP, short-term bonds (net) ³⁾	11.3	-2.5	2.4	-0.5	3.8	3.6	1.4	-1.6	59.2
■ Stocks ⁴⁾	18.9	1.2	2.5	0.3	4.2	1.0	0.2	0.7	..

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 grow substantially in June, as in the previous month (+25.0 trillion won in May 2024 → +26.4 trillion won in June).
 - Transferable deposits increased substantially* (-1.2 trillion won → +36.8 trillion won), due mainly to inflows of corporate funds for quarter-end financial ratio management.
 - * One of the exceptional factors causing this substantial increase was that, with the last day of June falling on a weekend, withdrawals of funds for settlement were deferred to the beginning of July.
 - Time deposits declined slightly (+13.9 trillion won → -2.5 trillion won), due to local governments' withdrawals of funds for half-year-end fiscal spending, which more than offset inflows of corporate and household funds.
- There was a reversal to a decrease in **funds under management at asset management companies** (+17.6 trillion won in May 2024 → -2.5 trillion won in June).
 - Deposits into MMFs decreased (+6.3 trillion won → -16.1 trillion won), due mainly to withdrawals of corporate and government funds for financial ratio management and for settlement at the half-year end.
 - Inflows into stock-type funds (+1.4 trillion won → +4.8 trillion won) and other funds (+5.8 trillion won → +7.1 trillion won) increased.

Deposits at Major Financial Institutions

(changes during period, trillion won)

	2022		2023		2024			Outstanding amount (end-June 2024)	
	Jan-June	June	Jan-June	June	Jan-June	Apr	May		June
■ DMBs¹⁾	74.4	23.3	5.0	38.4	58.2	-32.8	25.0	26.4	2,381.1
(Transferable deposits) ²⁾	19.3	15.5	-12.1	37.1	19.0	-45.0	-1.2	36.8	917.4
(Time deposits)	46.0	9.5	1.2	4.4	34.3	-4.7	13.9	-2.5	1,003.3
(CDs)	6.6	-0.4	18.8	0.1	-0.6	4.9	1.6	-2.0	70.7
(Bank debentures)	1.4	1.3	-11.1	-1.4	11.9	8.1	5.8	-4.3	325.3
■ AMCs³⁾	32.6	-7.1	50.3	3.3	83.3	16.6	17.6	-2.5	1,008.2
(MMFs)	10.7	-10.5	15.7	-5.4	17.6	8.5	6.3	-16.1	187.4
<Corporations>	13.1	-9.5	14.6	-5.5	15.6	8.3	5.7	-16.2	170.2
(Bond-type)	-2.9	-0.2	5.0	2.4	17.9	5.0	3.5	1.1	154.4
(Stock-type)	-3.8	-3.5	8.2	1.9	13.9	-0.9	1.4	4.8	117.4
(Mixed-type)	0.3	-0.3	-2.0	-0.4	3.7	0.7	0.5	0.5	27.4
(Other) ⁴⁾	28.3	7.3	23.3	4.9	30.3	3.2	5.8	7.1	521.6

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, trillion won)

	Jan 2024	Feb	Mar	Apr	May	June	Outstanding amount (end-June 2024)
Household loans¹⁾	3.3	1.9	-1.7	5.0	6.0	6.0	1,115.5
Loans secured by home mortgages ²⁾	4.9	4.7	0.5	4.5	5.7	6.3	876.9
Other loans ³⁾	-1.5	-2.8	-2.2	0.6	0.3	-0.3	237.4
Corporate loans¹⁾	6.7	8.0	10.4	11.9	6.9	5.3	1,296.9
Large corporations	5.2	3.3	4.1	6.5	1.1	0.7	268.6
SMEs	1.5	4.7	6.2	5.4	5.8	4.6	1,028.2
<Small and medium-sized corporations>	2.2	3.6	5.0	4.3	5.1	4.4	574.2
<SOHOs>	-0.7	1.1	1.3	1.1	0.8	0.3	454.1
Net issuance of corporate bonds⁴⁾	4.5	3.6	0.5	-2.5	-1.5	-1.7	..
Net issuance of CP, short-term bonds⁵⁾	6.6	-0.8	-5.5	3.6	1.4	-1.6	59.2

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)

	Jan 2024	Feb	Mar	Apr	May	June	Outstanding amount (end-June 2024)
Bank accounts¹⁾	-28.8	32.4	36.0	-32.8	25.0	26.4	2,381.1
Demand deposits less uncleared checks & bills	-13.0	13.7	12.3	-12.8	-2.2	10.6	313.3
Time & savings deposits	-25.2	31.8	21.6	-35.1	16.9	25.6	1,666.9
(Time deposits)	16.6	24.3	-13.3	-4.7	13.9	-2.5	1,003.3
(Transferable deposits)	-42.2	21.4	36.2	-32.2	1.0	26.2	604.1
CDs + RPs + cover bills	8.9	-13.1	0.3	7.1	4.5	-5.5	75.7
Bank debentures	0.5	0.0	1.8	8.1	5.8	-4.3	325.3
Asset management companies²⁾	36.2	17.5	-2.1	16.6	17.6	-2.5	1,008.2
MMFs	26.1	5.1	-12.4	8.5	6.3	-16.1	187.4
Bond investment trusts	5.0	2.8	0.4	5.0	3.5	1.1	154.4
Stock investment trusts	-0.1	4.3	4.4	-0.9	1.4	4.8	117.4
Mixed-type investment trusts	0.6	0.7	0.6	0.7	0.5	0.5	27.4
Other ³⁾	4.7	4.5	4.9	3.2	5.8	7.1	521.6
Money in trust funds	30.3	-11.4	-5.8	4.8	-0.9	-13.1	375.6
Specific money in trusts	31.2	-12.6	-6.3	4.5	-1.3	-14.6	176.5
Merchant banking corporations	0.9	0.5	-0.5	0.5	0.1	-0.2	22.3
Bills issued	1.8	0.2	-0.8	1.0	0.2	-0.8	15.9
CMAs	-0.9	0.3	0.3	-0.5	-0.1	0.6	6.4
(Bills sold)	0.9	1.5	-0.7	1.0	0.4	-0.4	24.4
Postal savings	2.0	1.0	-1.1	0.2	0.5	0.6	86.8
Deposits at securities companies	-2.0	3.6	2.2	0.7	-2.8	2.1	56.5

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.