

Financial Market Trends in May 2023

- The **Treasury bond yield** rose significantly mainly on weakening expectations for the early shift of monetary policy at home and abroad, as well as on the reaching of an agreement on the U.S. debt ceiling negotiations.
 - The **KOSPI** has risen sharply since mid-May, hitting a new yearly high(2,615.6 on June 7) thanks primarily to the outlook for improvement in business conditions for the semiconductor sector, the easing of uncertainties related to the U.S. debt ceiling, and expanding net stock purchases by foreign investors.
 - **Bank lending to the household sector** grew to a substantially larger extent in May(+2.3 trillion won in Apr. 2023 → +4.2 trillion won in May), and **bank lending to the corporate sector** (+7.5 trillion won → +7.8 trillion won) sustained strong growth in May.
 - **Deposit-taking by banks** increased in May (-13.4 trillion won in Apr. 2023 → +8.2 trillion won in May), while **funds under management at asset management companies** decreased slightly (+8.6 trillion won → -1.2 trillion won).
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1 Interest Rates and Stock Prices

- The **Treasury bond yield** rose significantly mainly on weakening expectations for the early shift of monetary policy at home and abroad, as well as on the reaching of an agreement on the U.S. debt ceiling negotiations.
- Major **short-term interest rates** increased significantly due to the rebound in long-term interest rates and the decrease in MMF deposit-taking amid expanded issuance of short-term bonds.
- The **KOSPI*** has risen sharply since mid-May, hitting a new yearly high(2,615.6 on June 7) thanks primarily to the outlook for improvement in business conditions for the semiconductor sector, the easing of uncertainties related to the U.S. debt ceiling, and expanding net stock purchases by foreign investors.

* 2,502 at end-Apr. 2023 → 2,475 on May 12 → 2,611 on June 8

Major Interest Rates and KOSPI

	2020	2021	2022	Apr 2023 (A)	May	Jun 8 (B)	B - A
■ Treasury bonds (3-yr)	0.98	1.80	3.72	3.29	3.46	3.54	0.25
■ Treasury bonds (10-yr)	1.71	2.25	3.73	3.36	3.53	3.63	0.27
■ U.S. Treasury bonds (10-yr)	0.91	1.51	3.87	3.42	3.64	3.80²⁾	0.38
■ Corporate bonds (3-yr, AA-) ¹⁾	1.39	2.41	5.20	4.11	4.25	4.35	0.24
■ Corporate bonds (3-yr, A-) ¹⁾	2.44	3.28	6.19	5.47	5.59	5.69	0.22
■ Corporate bonds (3-yr, BBB+) ¹⁾	5.06	5.86	8.73	8.08	8.23	8.33	0.25
■ Monetary Stabilization Bonds (91-day) ¹⁾	0.56	1.00	3.53	3.27	3.51	3.51	0.24
■ Bank debentures (3-month) ¹⁾	0.84	1.43	4.05	3.51	3.79	3.77	0.26
■ CDs (91-day)	0.66	1.29	3.98	3.52	3.76	3.75	0.23
■ CP (A1, 91-day)	1.09	1.56	5.28	4.01	4.01	4.01	0.00
■ KOSPI	2,873	2,978	2,236	2,502	2,577	2,611	109
■ KOSDAQ	968	1,034	679	843	857	876	33

Note: 1) Average yields on bonds rated by four Korean private credit rating agencies.
2) As of June 7.

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Household Loans

□ **Bank lending to the household sector** (including loans assigned to the Korea Housing Finance Corporation) grew by substantially larger margins in May (+2.3 trillion won in Apr. 2023 → +4.2 trillion won in May; +0.4 trillion won in May 2022), led by housing mortgage lending.

○ Home mortgage lending grew faster (+2.8 trillion won → +4.3 trillion won), driven by continued demand for funds related to housing purchase and a weakening of the slowdown in extensions of loans related to leasehold deposits* continued demand for funds related to housing sales.

* Changes in leasehold deposit loans (trillion won):
-2.3 in Mar. 2023 → -1.7 in Apr → -0.6 in May.

○ Other loans, which has been declining, has shown a steady level (-0.5 trillion won → -0.02 trillion won), affected, for instance, by seasonal factors.*

* Demand for funds associated with spending related to travel and to “Family Month” increased in May.

	Dec 2022	Jan 2023	Feb	Mar	Apr	May
■ Apartment sale transactions (nationwide) ¹⁾	1.5	1.9	3.1	3.5	3.3	..
■ Apartment leasehold transactions (nationwide) ¹⁾	5.1	5.3	6.7	6.3	5.2	..
■ New apartment sales (nationwide)	4.2	1.1	0.9	1.5	1.2	1.4
■ Newly occupied apartments (nationwide)	3.5	2.2	3.7	2.2	2.2	2.7

Note: 1) Transaction volume (in ten thousand units) as of the contract date, based on statistics compiled as of June 8, 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-May 2023)	
	Jan-May	May	Jan-May	May	Jan-May	Mar	Apr		May
■ Household loans	35.3	-1.6	-0.1	0.4	-1.6	-0.7	2.3	4.2	1,056.4
Loans secured by home mortgages ²⁾	25.3	4.0	8.8	0.8	9.1	2.3	2.8	4.3	807.9
Other loans ³⁾	10.0	-5.5	-9.1	-0.5	-10.5	-3.0	-0.5	-0.02	247.3

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.).

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Corporate Funding

- **Bank lending to the corporate sector** grew to a larger extent in May than in the preceding month (+7.5 trillion won in Apr. 2023 → +7.8 trillion won in May; +13.1 trillion won in May 2022).
 - Bank lending to large corporations increased by a larger margin (+3.1 trillion won → +3.4 trillion won), driven chiefly by demand for working capital at corporations and demand for funds for the purpose of corporate bond redemptions.
 - Bank lending to SMEs grew steadily (+4.4 trillion won → +4.4 trillion won), due mainly to eased lending attitudes at bank
- Net redemptions of corporate bonds increased (-0.9 trillion won in Apr. 2023 → -2.9 trillion won in May; -1.6 trillion won in May 2022), affected chiefly by decreased issuances due mainly to seasonal factors* and larger amounts of corporate bonds than usual reaching maturity.**
 - * Corporate bond issuance tends to decrease in May owing chiefly to submissions of regular reports.
 - ** This was attributable to a massive amount of corporate bonds reaching maturity that had been issued immediately after the COVID outbreak. A substantial number of these bonds were found to have been redeemed prior to maturity (in May), with corporate bonds issued for rollover purposes.
- There was a large net redemption of CP and short-term bonds, particularly at some public corporations.

Corporate Funding

(changes during period, trillion won)

	2021		2022		2023			Outstanding amount (end-May 2023)	
	Jan-May	May	Jan-May	May	Jan-May	Mar	Apr		May
■ Bank loans ¹⁾	40.7	5.7	53.5	13.1	34.2	5.9	7.5	7.8	1,204.5
(Large firms)	2.4	-0.8	14.3	4.3	14.2	0.1	3.1	3.4	231.0
(SMEs)	38.3	6.5	39.2	8.9	20.1	5.8	4.4	4.4	973.5
<SOHOs>	16.2	2.3	12.3	2.0	3.3	1.0	1.0	0.8	446.0
■ Corporate bonds (net) ²⁾	10.8	-0.2	0.9	-1.6	5.9	2.2	-0.9	-2.9	..
■ CP, short-term bonds (net) ³⁾	7.9	-0.7	13.8	-1.5	2.9	-0.3	1.7	-3.7	59.4
■ Stocks ⁴⁾	12.4	3.2	17.7	0.4	2.4	0.3	0.1	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.

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Flow of Funds

- **Deposit-taking by banks** increased in May (-13.4 trillion won in Apr. 2023 → +8.2 trillion won in May).
 - Transferable deposits continued to decrease as in the previous month (-14.8 trillion won → -8.8 trillion won), owing to outflows of household and corporate funds, which more than offset inflows of local government funds.
 - Time deposits shifted to an increase (-6.5 trillion won → +10.5 trillion won), led by inflows of household and local government funds, combined with efforts of some banks to attract corporate funds.
- **Funds under management at asset management companies** decreased slightly (+8.6 trillion won in Apr. 2023 → -1.2 trillion won in May).
 - Deposits into MMFs shifted to a decrease (+2.9 trillion won → -7.6 trillion won), affected by outflows of corporate funds.
 - Both bond-type (+2.1 trillion won → +1.9 trillion won) and stock-type funds (-0.2 trillion won → +1.4 trillion won) increased.

Deposits at Major Financial Institutions

(changes during period, trillion won)

	2021		2022		2023			Outstanding amount (end-May 2023)	
	Jan-May	May	Jan-May	May	Jan-May	Mar	Apr		May
■ DMBs¹⁾	58.3	19.8	51.1	27.8	-33.4	-2.0	-13.4	8.2	2,213.1
(Transferable deposits ²⁾)	47.0	9.2	3.8	1.7	-49.2	12.5	-14.8	-8.8	850.0
(Time deposits)	-1.9	8.6	36.5	19.5	-3.2	-8.8	-6.5	10.5	941.0
(CDs)	9.1	0.5	7.1	2.1	18.6	4.2	4.6	2.1	64.5
(Bank debentures)	7.7	-0.6	0.1	2.5	-9.7	-5.4	-2.2	0.1	289.3
■ AMCs³⁾	78.3	21.5	39.7	-5.5	46.9	-11.6	8.6	-1.2	878.1
(MMFs)	39.5	9.2	21.1	-6.7	21.2	-10.9	2.9	-7.6	172.7
<Corporations>	39.7	6.9	22.6	-6.2	20.1	-11.2	2.2	-7.8	158.0
(Bond-type)	15.7	4.5	-2.7	-2.1	2.6	-2.6	2.1	1.9	122.6
(Stock-type)	6.3	3.1	-0.3	0.5	6.3	-0.2	-0.2	1.4	97.7
(Mixed-type)	5.6	0.8	0.6	-0.5	-1.5	-0.4	-0.2	-0.1	25.9
(Other ⁴⁾)	11.2	3.9	21.0	3.4	18.4	2.5	4.1	3.2	459.2

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)

	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Outstanding amount (end-May 2023)
Household loans¹⁾	2,783	-46,755	-27,561	-7,109	22,964	41,990	10,564,015
Loans secured by home mortgages ²⁾	30,869	186	-3,143	22,684	28,176	42,602	8,078,746
Corporate loans¹⁾	-93,551	78,958	51,882	58,699	74,528	78,075	12,045,287
Large corporations	-61,028	66,377	8,906	956	30,856	34,422	2,310,426
SMEs	-32,523	12,582	42,976	57,742	43,672	43,654	9,734,861
Net issuance of corporate bonds³⁾	6,034	31,788	43,370	22,172	-9,125	-29,390	..
Net issuance of CP, short-term bonds⁴⁾	14,906	68,853	-16,847	-2,566	16,546	-36,887	594,489

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)

	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Outstanding amount (end-May 2023)
Bank accounts¹⁾	-151,604	-484,493	222,863	-20,460	-133,562	81,651	22,130,847
Demand deposits less uncleared checks & bills	99,571	-251,823	96,596	-18,984	-27,399	27,460	2,992,752
Time & savings deposits	-160,441	-356,503	153,941	53,278	-169,993	1,761	15,513,436
(Time deposits)	-151,327	-8,619	24,329	-87,860	-64,515	104,654	9,410,335
(Transferable deposits)	16,222	-343,189	117,504	144,374	-120,797	-115,273	5,507,227
CDs + RPs + cover bills	-76,425	104,786	13,916	-1,085	86,058	51,320	731,582
Bank debentures	-14,308	19,047	-41,590	-53,670	-22,229	1,110	2,893,078
Asset management companies²⁾	-35,399	503,894	7,861	-115,785	85,917	-12,479	8,780,690
MMFs	-33,066	390,435	-22,028	-109,335	28,693	-75,894	1,727,146
Bond investment trusts	21,119	9,329	2,829	-25,814	20,691	18,878	1,226,202
Stock investment trusts	-54,764	41,188	11,677	-1,744	-1,719	13,667	976,744
Mixed-type investment trusts	-7,454	-6,059	-2,432	-3,744	-2,349	-718	258,687
Other ³⁾	38,766	69,001	17,815	24,852	40,601	31,589	4,591,912
Money in trust funds	-146,456	407,579	-33,059	-219,789	190,138	1,456	3,719,183
Specific money in trusts	-298,667	403,005	-41,215	-222,322	188,732	-2,472	1,931,820
Merchant banking corporations	-37,068	16,670	-1,099	-3,703	9,255	-6,017	203,622
Bills issued	-26,624	14,386	2,523	-9,566	11,504	-2,694	145,500
CMAs	-10,444	2,284	-3,622	5,863	-2,249	-3,323	58,122
(Bills sold)	6,580	18,862	5,236	8,252	9,030	8,200	217,868
Postal savings	8,344	15,887	-8,979	27,774	2,009	-9,014	846,227
Deposits at securities companies	-2,261	28,265	-15,352	28,621	25,402	-11,868	519,553

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.