

Press Release

February 27, 2009.

Corrections for The Economist article, “Domino theory” (on February 26)

The Ministry of Strategy and Finance and the Financial Services Commission issue the following explanations to correct factual errors and questionable assertions made in the article titled “Domino theory” published by ‘The Economist’ on February 26, 2009.

(Article)

*Korea’s short-term debt will exceed its shrinking reserves before the year is out.
(Korea’s short-term debt will be 102% of its reserves before the year is out).*

(Explanation)

As Korea’s short-term debt has been on the decrease recently, so has been the short-term debt ratio to the foreign-exchange reserves.

Korea’s short-term debts fell by \$ 38.5 billion during the fourth quarter of 2008. Accordingly, its short-term debt ratio dropped from 79% (end-Sept., 2008) to 75% (end-Dec. 2008).

	2005.12	2006.12	2007.12	2008.9	2008.12
Short-term debt(100mn\$, A)	659	1,138	1,603	1,896	1,511
Foreign reserves(100mn\$, B)	2,104	2,390	2,622	2,37	2,012
Short-term debt ratio(% , A/B)	31.3	47.6	61.1	79.0	75.0

As the short-term ratio has continued to decrease in 2009, the short-term debt ratio also fell.

The Economist’s article is based upon HSBC’s projection on Korea’s short-term debt ratio. The Ministry of Strategy and Finance and the Financial Services Commission emphasize that HSBC’s projected figures above on the short-term debt ratio are no accurate.

(Article)

In its mention of banks' Loan-to-deposit ratio, The Economist cited the statistics released by HSBC that *estimated Korean banks' loan to deposit ratio stands at 130 percent.*

(Explanation)

Korean banks' loan to deposit ratio, as of the end of 2008, stood at 118.8 percent, which is lower than the HSBC estimation.

Since June 2008, Korean banks' Loan-to-deposit ratio has continued to fall (end-June, 2008: 126.5% → end-Dec. 2008: 118.8%).

If **domestic certificates of deposits(CDs)** are classified as **deposits**, given the **similarity of CDs with term deposits**, the percentage is further reduced to around 101%. This is not much higher than the 29-country average (98%) cited in The Economist article based on the HSBC report (AI-Asia Insights, Feb. 20, 2009).

* Please refer to the Press Release (fsc.go.kr) issued on Oct. 13, 2008.

< Korean banks' loan/deposit ratio >

unit: %

	2007.12	2008.3	2008 .6	2008.9	2008.10	2008.11	2008 .12
Excluding CD	123.9	126.0	126.5	124.4	121.0	119.7	118.8
Including CD	104.4	104.9	104.2	103.3	101.3	101.1	101.6

Please note that the actual numbers are significantly different from the HSBC statistics cited by The Economist.