

HOUSEHOLD LOANS, JUNE 2022

The outstanding balance of household loans¹ across all financial sectors rose KRW0.7 trillion in June 2022 with the pace of growth falling from the previous month (*up KRW1.7 trillion*).² The trends in household loan continue to be on a stable path as the statistics for all financial sectors in H1 2022 fell (*down KRW0.8 trillion*) for the first time since the half-year statistics first became available in 2015.³ The financial authorities will continue to make efforts for a soft-landing of the household debt issue as there are possibilities of growing burdens on borrowers and risks to financial companies due to interest rate hikes.

(OVERALL) Household loans in June 2022 increased KRW0.7 trillion across all financial sectors. The growth rate (*up 2.7%, y-o-y*), which fell back lower from a slight increase seen in the previous month, continued to stay on a downward path since the second half of 2021.

(BY TYPE) Mortgage loans grew at a faster rate compared with the previous month, but other types of loans dropped considerably to bring down the overall household loan growth level.

- **(MORTGAGE LOANS)** Mortgage-backed loans rose KRW2.8 trillion in June, growing at a faster rate from the previous month (*up KRW1.5 trillion*) due to brisk lending by banks and the mutual finance sector.⁴
- **(OTHER TYPES OF LOANS)** Other types of loans dropped KRW2.1 trillion in June, edging back lower from a temporary hike in the previous month as credit loans and non-housing collateral lending declined.⁵

(BY SECTOR) Household loans in both the banking and non-banking sectors saw a slowdown in the growth level, but the downward trend seen throughout this year in the mutual finance sector has turned upward.

- **(BANKING SECTOR)** Banks saw an increase of KRW0.2 trillion in household loans, declining slightly from the previous month (*up KRW0.3 trillion*). Mortgage loans from banks rose KRW1.4 trillion,⁶ growing at a faster rate compared with the previous month (*up KRW0.8 trillion*), as jeonse loans (*up KRW0.9 trillion*) and group lending for new apartment subscription (*up KRW0.7 trillion*) expanded.

¹ Preliminary

² Growth amount (in trillion KRW): -0.7 (Jan), -0.3 (Feb), -3.6 (Mar), +1.4 (Apr), +1.7 (May), +0.7 (Jun)

Growth rate (% , y-o-y): 7.1 (Dec), 6.3 (Jan 2022), 5.6 (Feb), 4.7 (Mar), 3.1 (Apr), 3.4 (May), 2.7 (Jun)

³ Half-yearly household loan growth amount (in trillion KRW): +36.4 (H1 2020), +75.8 (H2 2020), +63.5 (H1 2021), +44.0 (H2 2021), -0.8 (H1 2022)

⁴ Growth in mortgage loans (in trillion KRW): +2.9(Jan), +2.6(Feb), +3.0(Mar), +2.8(Apr), +1.5(May), +2.8(Jun)

⁵ Growth in other types of loans (in trillion KRW): -3.5(Jan), -2.9(Feb), -6.5(Mar), -1.5(Apr), +0.2(May), -2.1(Dec)

⁶ Growth amount (in trillion KRW): Jeonse loans (+0.9), Group lending for new apartment subscription (+0.7), government-sponsored mortgage lending (+0.3), general individual loans (-0.5)

Other types of loans declined KRW1.2 trillion, edging down more rapidly than the previous month (*down KRW0.5 trillion*) as credit loans dropped KRW0.8 trillion.⁷

- **(NON-BANKING SECTOR)** In June, nonbanks saw a growth of KRW0.4 trillion in household loans with increases in savings banks (*up KRW0.4 trillion*), mutual finance (*up KRW0.2 trillion*) and insurance businesses (*up KRW0.1 trillion*).

<Trends in outstanding balance of household loans by sector> (In trillion KRW)

	2020			2021			2022		
	Jan-Jun	May	Jun	Jan-Jun	May	Jun	Jan-Jun	May	Jun
Banks	+40.7	+5.0	+8.2	+41.7	-1.4	+6.3	+0.0	+0.3	+0.2
Nonbanks	-4.2	-1.1	+0.5	+21.9	-0.2	+3.9	-0.8	+1.4	+0.4
Mutual finance	-4.8	-0.6	+0.3	+9.6	-0.8	+2.4	-4.8	-0.6	+0.2
Credit union	-1.56	-0.24	-0.14	-0.03	-0.24	+0.07	+0.19	-0.02	+0.05
Nonghyup	-0.39	+0.13	+0.70	+8.16	+0.06	+1.98	-4.43	-0.55	-0.29
Suhyup	-0.14	-0.01	+0.08	+0.67	+0.00	+0.11	-0.27	-0.03	+0.01
NFCF ⁸	+0.09	+0.00	+0.01	+0.28	+0.03	+0.06	-0.07	-0.02	-0.02
KFCC ⁹	-2.78	-0.52	-0.38	+0.47	-0.67	+0.18	-0.20	+0.07	+0.41
Insurance	-1.1	-0.5	+0.1	+3.3	-1.3	+0.4	+0.9	+0.3	+0.1
Savings banks	+1.7	+0.2	+0.2	+4.4	+0.5	+0.9	+1.8	+0.6	+0.4
Credit finance companies	+0.0	-0.2	-0.0	+4.6	+1.4	+0.2	+1.3	+1.0	-0.3
Total	+36.4	+3.9	+8.7	+63.5	-1.7	+10.3	-0.8	+1.7	+0.7

(ASSESSMENT) The household loan growth slowed down in June with an increase of KRW0.7 trillion. Mortgage-backed loans (*up KRW2.8 trillion*) grew more rapidly than the previous month with group lending for new apartment subscription expanding and continuing demand for jeonse loans.¹⁰ Other types of loans (*down KRW2.1 trillion*) such as credit loans turned lower due to the impact of rate hikes and the distribution of small merchant loss compensation funds. In January-June (H1) this year, household loans across all financial sectors edged down KRW0.8 trillion, falling for the first time since relevant statistics first became available in 2015.¹¹ The financial authorities will continue to make efforts for a soft-landing of the household debt issue as there are possibilities of growing burdens on borrowers and risks to financial companies amid interest rate hikes.

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⁷ Growth amount (in trillion KRW) of mortgage loans at banks: 1.7 (Feb), 2.1 (Mar), 2.0 (Apr), 0.8 (May), 1.4 (Jun)
Growth amount (in trillion KRW) of other types of loans at banks: -2.0 (Feb), -3.1 (Mar), -0.9 (Apr), -0.5 (May), -1.2 (Jun)

⁸ National Forestry Cooperative Federation

⁹ Korean Federation of Community Credit Cooperatives

¹⁰ Nationwide trends in jeonse and monthly rental transactions (based on date registered): 204,000 (Jan 2022), 241,000 (Feb), 250,000 (Mar), 258,000 (Apr), 404,000 (May, includes 206,000 cases in delayed registration past the 30-day registration period)

¹¹ Half-yearly household loan growth amount (in trillion KRW): +36.4 (H1 2020), +75.8 (H2 2020), +63.5 (H1 2021), +44.0 (H2 2021), -0.8 (H1 2022)