

## HOUSEHOLD LOANS, JUNE 2022

The outstanding balance of household loans<sup>1</sup> 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*).<sup>2</sup> 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.<sup>3</sup> 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.<sup>4</sup>
- **(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.<sup>5</sup>

**(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,<sup>6</sup> 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.

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<sup>1</sup> Preliminary

<sup>2</sup> 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)

<sup>3</sup> 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)

<sup>4</sup> 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)

<sup>5</sup> 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)

<sup>6</sup> 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.<sup>7</sup>

- **(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 <sup>8</sup>	+0.09	+0.00	+0.01	+0.28	+0.03	+0.06	-0.07	-0.02	-0.02
KFCC <sup>9</sup>	-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.<sup>10</sup> 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.<sup>11</sup> 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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<sup>7</sup> 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)

<sup>8</sup> National Forestry Cooperative Federation

<sup>9</sup> Korean Federation of Community Credit Cooperatives

<sup>10</sup> 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)

<sup>11</sup> 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)