

Republic of Korea

The Republic of Korea's local currency (LCY) bond market declined 0.5% quarter-on-quarter (q-o-q) to KRW2,066 trillion (USD1,714 billion) at the end of the fourth quarter (Q4) of 2016. The decline was most notable in the government bond sector, which fell 1.0% q-o-q to KRW848 trillion, largely driven by a decrease in central bank bonds outstanding. Corporate bonds also declined 0.2% q-o-q to KRW1,219 trillion. On a year-on-year basis, the Republic of Korea's LCY bond market grew 2.3% in Q4 2016.

Table 1: Size and Composition of the Local Currency Bond Market in the Republic of Korea

	Outstanding Amount (billion)						Growth Rate (%)			
	Q4 2015		Q3 2016		Q4 2016		Q4 2015		Q4 2016	
	KRW	USD	KRW	USD	KRW	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	2,020,522	1,720	2,076,602	1,886	2,066,453	1,714	1.1	8.8	(0.5)	2.3
Government	821,993	700	855,763	777	847,537	703	1.0	7.4	(1.0)	3.1
Central Government Bonds	485,104	413	517,267	470	516,908	429	(9.6)	10.7	(0.1)	6.6
Central Bank Bonds	180,930	154	179,680	163	168,390	140	(2.9)	1.6	(6.3)	(6.9)
Others	155,959	133	158,816	144	162,239	135	72.6	4.8	2.2	4.0
Corporate	1,198,529	1,020	1,220,839	1,109	1,218,916	1,011	1.1	9.7	(0.2)	1.7

() = negative, KRW = Korean won, LCY = local currency, q-o-q = quarter-on-quarter, Q3 = third quarter, Q4 = fourth quarter, USD = United States dollar, y-o-y = year-on-year. Notes:

1. Calculated using data from national sources.
2. Bloomberg LP end-of-period LCY-USD rates are used.
3. Growth rates are calculated from an LCY base and do not include currency effects.
4. "Others" comprise Korea Development Bank bonds, National Housing bonds, and Seoul Metro bonds.
5. Corporate bonds include equity-linked securities and derivatives-linked securities.

Sources: The Bank of Korea and EDAILY BondWeb.

Corporate bond issuance in the Republic of Korea rose to KRW99,354 billion in Q4 2016 from KRW81,513 billion in the third quarter of 2016.

Table 2: Notable LCY Corporate Bond Issuance in the Fourth Quarter of 2016

Corporate Issuers	Coupon Rate (%)	Issued Amount (KRW billion)	Corporate Issuers	Coupon Rate (%)	Issued Amount (KRW billion)
Industrial Bank of Korea			Woori Bank		
1.5-year bond	1.47	270	2-year bond	1.62	500
1.5-year bond	1.50	370	2-year bond	1.81	90
20-year bond	2.05	50	2-year bond	1.84	100
20-year bond	2.07	30	2-year bond	1.93	200
20-year bond	2.20	70	3-year bond	1.65	150
20-year bond	2.40	80	Daewoo Shipbuilding and Marine Engineering		
20-year bond	2.50	50	30-year bond	3.00	1,000
20-year bond	2.81	300	National Federation of Fisheries Cooperatives		
perpetual bond	2.88	50	1.5-year bond	1.79	60
perpetual bond	3.27	250	5-year bond	1.87	550
			7-year bond	1.94	100
			10-year bond	2.06	150

KRW = Korean won.

Source: Based on data from Bloomberg LP.

LCY bonds outstanding among the top 30 corporate bond issuers in the Republic of Korea reached KRW787,910 billion at the end of December, representing 64.6% of total corporate bonds outstanding.

Table 3: Top 30 Issuers of Local Currency Corporate Bonds in the Republic of Korea

	Issuers	Outstanding Amount		State-Owned	Listed on		Type of Industry
		LCY Bonds (KRW billion)	LCY Bonds (USD billion)		KOSPI	KOSDAQ	
1.	Korea Housing Finance Corporation	105,761	87.7	Yes	No	No	Housing Finance
2.	NH Investment & Securities	62,888	52.2	Yes	Yes	No	Securities
3.	Mirae Asset Daewoo Co.	55,951	46.4	No	Yes	No	Securities
4.	Korea Investment and Securities	51,579	42.8	No	No	No	Securities
5.	Korea Land & Housing Corporation	47,324	39.2	Yes	No	No	Real Estate
6.	Industrial Bank of Korea	39,871	33.1	Yes	Yes	No	Banking
7.	Mirae Asset Securities	39,369	32.6	No	Yes	No	Securities
8.	Hana Financial Investment	36,898	30.6	No	No	No	Securities
9.	Korea Deposit Insurance Corporation	29,290	24.3	Yes	No	No	Insurance
10.	KB Securities	25,551	21.2	No	No	No	Securities
11.	Korea Electric Power Corporation	22,470	18.6	Yes	Yes	No	Electricity, Energy, and Power
12.	Korea Highway	20,910	17.3	Yes	No	No	Infrastructure
13.	Samsung Securities	19,517	16.2	No	Yes	No	Securities
14.	Shinhan Bank	18,952	15.7	No	No	No	Banking
15.	Korea Rail Network Authority	18,600	15.4	Yes	No	No	Transport Infrastructure
16.	Woori Bank	17,625	14.6	Yes	Yes	No	Banking
17.	Kookmin Bank	17,346	14.4	No	No	No	Banking
18.	Daishin Securities	16,716	13.9	No	Yes	No	Securities
19.	NongHyup Bank	16,100	13.4	Yes	No	No	Banking
20.	Korea Gas Corporation	14,469	12.0	Yes	Yes	No	Gas Utility
21.	The Export-Import Bank of Korea	13,160	10.9	Yes	No	No	Banking
22.	Small & Medium Business Corporation	12,500	10.4	Yes	No	No	SME Development
23.	Korea Student Aid Foundation	11,660	9.7	Yes	No	No	Student Loan
24.	Standard Chartered Bank Korea	11,110	9.2	No	No	No	Banking
25.	Shinhan Card	10,746	8.9	No	No	No	Credit Card
26.	Korea Water Resources Corporation	10,545	8.7	Yes	No	No	Water
27.	Hyundai Capital Services	10,494	8.7	No	No	No	Consumer Finance
28.	NongHyup	10,440	8.7	Yes	No	No	Diversified
29.	KEB Hana Bank	10,270	8.5	No	No	No	Banking
30.	Korea Railroad Corporation	9,800	8.1	Yes	No	No	Transport Infrastructure
Total Top 30 LCY Corporate Issuers		787,910	653				
Total LCY Corporate Bonds		1,218,916	1,011				
Top 30 as % of Total LCY Corporate Bonds		64.6%	64.6%				

KOSDAQ = Korean Securities Dealer Automated Quotations, KOSPI = Korea Composite Stock Price Index, KRW = Korean won, LCY = local currency, SME = small and medium-sized enterprises, USD = United States dollar.

Notes:

1. Data as of end-December 2016.

2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.

3. Corporate bonds include equity-linked securities and derivatives-linked securities.

4. Data do not reflect the acquisition of Mirae Asset Securities by Mirae Asset Daewoo in January 2017.

Source: AsianBondsOnline calculations based on Bloomberg LP and EDAILY BondWeb data.