

Republic of Korea

The Republic of Korea's local currency (LCY) bond market expanded a marginal 0.5% quarter-on-quarter (q-o-q) in the fourth quarter (Q4) of 2017 to reach KRW2,156 trillion (USD2,020 billion) at the end of December as both the government and corporate sectors posted minimal growth rates. Outstanding government bonds were up 0.3% q-o-q to KRW883 trillion as growth in central bank bonds was capped by the decline in the size of central government bonds. Corporate bonds posted growth of 0.6% q-o-q to reach KRW1,273 trillion. On a year-on-year (y-o-y) basis, the Republic of Korea's LCY bond market expanded 4.3% in Q4 2017.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q4 2016		Q3 2017		Q4 2017		Q4 2016		Q4 2017	
	KRW	USD	KRW	USD	KRW	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	2,066,453	1,714	2,145,667	1,873	2,155,898	2,020	(0.5)	2.3	0.5	4.3
Government	847,537	703	880,399	769	882,781	827	(1.0)	3.1	0.3	4.2
Central Government Bonds	516,908	429	549,308	480	546,715	512	(0.1)	6.6	(0.5)	5.8
Central Bank Bonds	168,390	140	166,060	145	170,860	160	(6.3)	(6.9)	2.9	1.5
Others	162,239	135	165,030	144	165,205	155	2.2	4.0	0.1	1.8
Corporate	1,218,916	1,011	1,265,268	1,105	1,273,117	1,193	(0.2)	1.7	0.6	4.4
of which: ELS and DLS	312,540	259	276,853	242	282,147	264	0.0	(14.4)	1.9	(9.7)

() = negative, DLS = derivative-linked securities, ELS = equity-linked securities, 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 KRW112 trillion in Q4 2017 from KRW103 trillion in the previous quarter.

Table 2: Notable LCY Corporate Bond Issuance in the Fourth Quarter of 2017

Corporate Issuers	Coupon Rate (%)	Issued Amount (KRW billion)
Woori Bank		
10-year bond	3.47	200
3-year bond	2.44	310
3-year bond	2.35	200
3-year bond	2.20	200
Industrial Bank of Korea		
3-year bond	2.42	470
3-year bond	2.11	310
Hana Financial		
10-year bond	2.84	250
5-year bond	2.59	150
3-year bond	2.38	100
Samsung Securities		
3-year bond	2.51	200

KRW = Korean won, Q4 = fourth quarter.

Source: Based on data from Bloomberg LP.

LCY bonds outstanding among the top 30 corporate bonds issuers in the Republic of Korea reached KRW822 trillion at the end of Q4 2017, accounting for 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	116,734	109.4	Yes	No	No	Housing Finance
2.	NH Investment & Securities	68,541	64.2	Yes	Yes	No	Securities
3.	Mirae Asset Daewoo Co.	65,602	61.5	No	Yes	No	Securities
4.	Korea Investment and Securities	53,759	50.4	No	No	No	Securities
5.	Korea Land & Housing Corporation	40,968	38.4	Yes	No	No	Real Estate
6.	Industrial Bank of Korea	37,584	35.2	Yes	Yes	No	Banking
7.	Hana Financial Investment	37,038	34.7	No	No	No	Securities
8.	KB Securities	35,215	33.0	No	No	No	Securities
9.	Samsung Securities	26,009	24.4	No	Yes	No	Securities
10.	Korea Electric Power Corporation	23,500	22.0	Yes	Yes	No	Electricity, Energy, and Power
11.	Shinhan Bank	22,832	21.4	No	No	No	Banking
12.	Korea Deposit Insurance Corporation	22,420	21.0	Yes	No	No	Insurance
13.	Korea Expressway	21,910	20.5	Yes	No	No	Transport Infrastructure
14.	Kookmin Bank	21,566	20.2	No	No	No	Banking
15.	Mirae Asset Securities	20,979	19.7	No	Yes	No	Securities
16.	Woori Bank	20,425	19.1	Yes	Yes	No	Banking
17.	Korea Rail Network Authority	18,670	17.5	Yes	No	No	Transport Infrastructure
18.	NongHyup Bank	17,750	16.6	Yes	No	No	Banking
19.	KEB Hana Bank	15,870	14.9	No	No	No	Banking
20.	The Export-Import Bank of Korea	15,430	14.5	Yes	No	No	Banking
21.	Daishin Securities	15,033	14.1	No	Yes	No	Securities
22.	Korea Gas Corporation	13,279	12.4	Yes	Yes	No	Gas Utility
23.	Small & Medium Business Corporation	12,093	11.3	Yes	No	No	SME Development
24.	Shinhan Card	11,957	11.2	No	No	No	Credit Card
25.	Hyundai Capital Services	11,606	10.9	No	No	No	Consumer Finance
26.	Korea Student Aid Foundation	11,500	10.8	Yes	No	No	Student Loan
27.	Shinyoung Securities	11,303	10.6	No	Yes	No	Securities
28.	Standard Chartered Bank Korea	10,920	10.2	No	No	No	Banking
29.	KB Kookmin Bank Card	10,765	10.1	No	No	NO	Consumer Finance
30.	Korea Railroad Corporation	10,540	9.9	Yes	No	No	Transport Infrastructure
Total Top 30 LCY Corporate Issuers		821,799	770				
Total LCY Corporate Bonds		1,273,117	1,193				
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 2017.

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

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