

Republic of Korea

Yield Movements

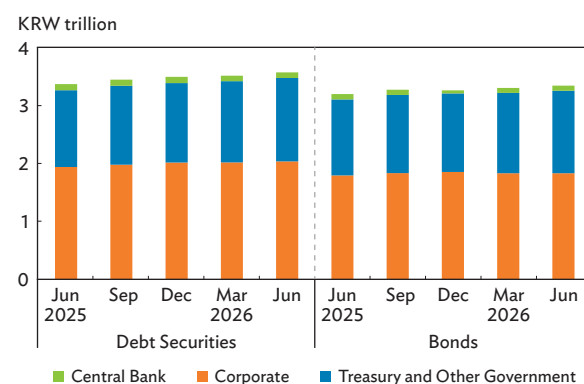
Yields on local currency (LCY) government debt securities in the Republic of Korea rose an average of 23 basis points (bps) across all tenors between 1 June and 31 August on expectations of further monetary tightening by the Bank of Korea (BOK) (**Figure 1**). The BOK raised the base rate by a cumulative 50 bps to 3.00% in its 16 July and 28 August monetary policy meetings, noting that inflation is expected to remain above the 2.0% target on persistent pressures. Its August [forward guidance](#) indicated a 47.6% likelihood of another 25 bps rate hike within the next 6 months. In addition, the BOK raised its 2026 growth forecast to 3.3% year-on-year from its May forecast of 2.6%, while the inflation forecast was maintained at 2.7%.

Local Currency Bonds Outstanding and Issuance

The Republic of Korea's total LCY debt securities reached KRW3.6 trillion at the end of June. Excluding debt securities with maturities of less than 1 year, LCY bonds outstanding amounted to KRW3.3 trillion after a 1.2% quarter-on-quarter (q-o-q) expansion (**Figure 2**). Growth was driven by sustained government issuance and higher corporate bond issuance. Total

bond issuance rebounded in the second quarter (Q2) of 2026, rising 16.0% q-o-q, driven by a surge in the corporate segment (**Figure 3**). Corporate bond issuance increased 30.2% q-o-q as firms accelerated their borrowing ahead of expected higher funding costs in the third quarter driven by BOK monetary tightening. Meanwhile, government bond issuance remained broadly unchanged in Q2 from the previous quarter, in line with its front-loading policy in the first half of the year.

Figure 2: Local Currency Debt Securities and Bonds Outstanding in the Republic of Korea



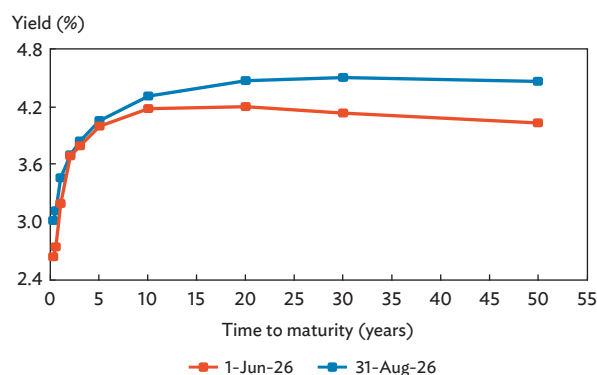
KRW = Korean won.

Notes:

1. Bonds are defined as debt securities with maturities longer than 1 year.
2. Data on bonds are based on *AsianBondsOnline* estimates.

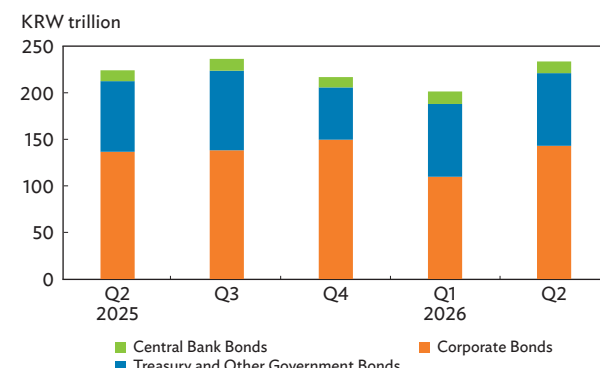
Sources: Bank of Korea, Bloomberg LP, and KG Zeroin Corp.

Figure 1: Yields for Local Currency Government Debt Securities in the Republic of Korea



Source: Based on data from Bloomberg LP.

Figure 3: Local Currency Bond Issuance in the Republic of Korea



KRW = Korean won, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.

Notes:

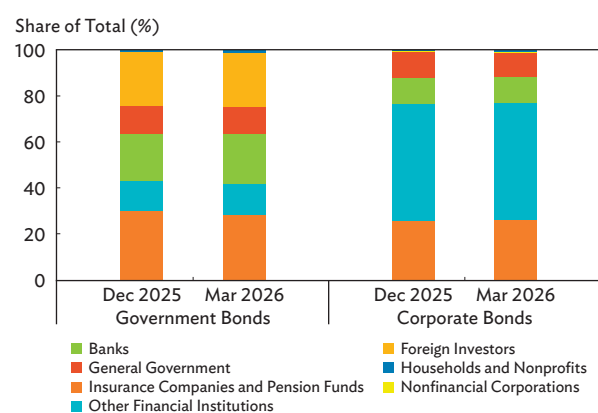
1. Bonds are defined as debt securities with maturities longer than 1 year.
2. Data on bonds are based on *AsianBondsOnline* estimates.

Sources: Bank of Korea, Bloomberg LP, and KG Zeroin Corp.

Investor Profile

The investor profile of the Republic of Korea's LCY debt securities market at the end of March remained broadly unchanged from the previous quarter. The government debt market continued to have a more diverse investor base, with outstanding securities held by five major investor groups (**Figure 4**). Insurance companies and pension funds had the largest share at the end of March

Figure 4: Investor Profile of the Local Currency Debt Securities in the Republic of Korea



Sources: AsianBondsOnline and the Bank of Korea.

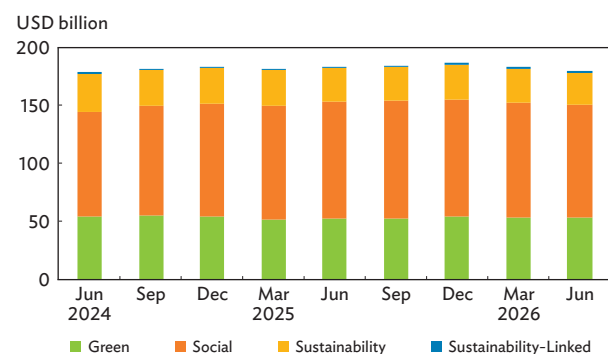
at 28.5%. Foreign investors followed with a share of 23.6%, inching up from 23.3% at the end of December, ahead of the April 2026 inclusion of the Republic of Korea in the FTSE World Government Bond Index. Meanwhile, the corporate market's investor base was dominated by two major groups: financial institutions (50.3%) and insurance companies and pension funds (26.4%).

Sustainable Bond Market

The Republic of Korea's outstanding sustainable bond market contracted 2.0% q-o-q in Q2 2026 to USD180.4 billion as maturities exceeded new issuance. Social bonds continued to dominate the sustainable bond market with a share of 54.2%, followed by green bonds at 29.5% (**Figure 5A**). The corporate sector comprised a larger share of green, sustainability, and sustainability-linked bonds; while social bonds were dominated by issuances from government-owned and government-related entities (**Figure 5B**). The only remaining sovereign bond outstanding as of the end of June was a green bond. Sustainable bonds were largely concentrated in short-term tenors—with 72.2% of total bonds outstanding having remaining maturities of less than 3 years—and had a size-weighted average tenor of 2.9 years, unchanged from the previous quarter.

Figure 5: Sustainable Bond Market in the Republic of Korea

A. Sustainable Bonds Outstanding

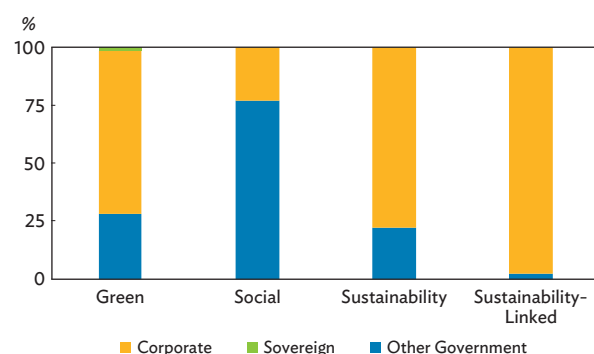


USD = United States dollar.

Note: Bonds are defined as debt securities with maturities longer than 1 year.

Source: AsianBondsOnline calculations based on Bloomberg LP data.

B. Sustainable Bonds Outstanding at the End of June by Sector



Policy and Regulatory Developments

Government Announces Roadmap for the Korean Won's Internationalization

On 19 July, the Government of the Republic of Korea announced the Roadmap for KRW Internationalization, outlining its plans of transforming the Korean won (KRW) into a freely convertible currency. The roadmap included measures such as the establishment of the infrastructure for 24-hour trading of the KRW, which the government successfully launched on 6 July. Other measures include the establishment of an offshore KRW settlement system for nonresidents and the further easing of foreign exchange regulations (e.g., raising the threshold for required reporting of transactions). The roadmap also included plans on expanding demand for the KRW, deepening market liquidity, and mitigating risks associated with increased capital flows.