

Flow of Funds in 1994

1. Introduction

In 1994, the Korean economy achieved high GDP growth of 8.4 percent thanks to the remarkable expansion of both exports and equipment investment, together with the swelling private consumption centering on services and household durables. Meanwhile, the current account deteriorated to a large deficit due to the rapid increase in imports drawn in by the buoyant domestic economy and the strong performance of exports.

These movements within the real economy were closely reflected in the flow of funds. The business sector's financial deficit widened greatly owing to the sharp increase in facilities investment whereas the individual sector's financial surplus expanded slightly. There was a marked decline in the ratio of the individual sector's financial surplus to the business sector's financial deficit as the increase in the individual sector's financial surplus failed to keep pace with the enlargement of the business sector's financial deficit. Meanwhile, both the government sector and the overseas sector witnessed a widened financial surplus resulting from the expansion of tax revenues and the enlargement of the current account deficit, respectively.

Looking at the financial transactions by financial sector, there was a big jump in fund raising led by deposit banks, reflecting the relative strengthening of banks' competitiveness in deposit taking achieved by the increased scope of interest rate deregulation, the introduction of new financial products, capital increases by banks. The main feature in the fund utilization of the financial sector was a massive rise in loans and stock holdings.

As the loanable funds expanded with the increase in the volume of funds raised by financial institutions and the business sector's demand for funds rose sharply, the amount of funds raised through financial institutions by the individual and business sectors swelled.

Reflecting the increased demand for operating funds due to the upswing in

sales and production, the business sector expanded its holdings of short-term financial commodities such as demand deposits, CDs, cover bills. In contrast, the individual sector invested its surplus funds primarily in such relatively high-yielding money-in-trust products as individual pension trusts and long-term time & savings deposits, which gained interest rate competitiveness following the implementation of the second phase interest rate liberalization measures.

[Table 1]

Principal Economic Indicators

	Unit : %				
	1990	1991	1992	1993	1994p
G D P	9.5	9.1	5.1	5.8	8.4
Private consumption	10.7	9.5	6.6	5.8	7.5
Gross fixed capital formation	25.9	12.6	-0.8	5.2	11.7
(Construction)	31.2	13.0	-0.6	8.9	4.6
(Equipment)	18.8	12.1	-1.1	-0.1	23.3
Consumer prices	9.4	9.3	4.5	5.8	5.6
Current account balance (billion dollars)	-2.2	-8.7	-4.5	0.4	-4.8
Trade account balance	-2.0	-7.0	-2.1	1.9	-3.1
(Exports) (billion dollars)	63.1	69.6	75.2	81.0	93.7
(Imports) (billion dollars)	65.1	76.6	77.3	79.1	96.8

Note : rates of change in compared with the previous year.

II. Financial Surpluses and Deficits by Economic Sector

In terms of financial balances (the balance between saving and investment) during 1994, domestic economic sectors other than the business sector showed financial surpluses which exceeded those of the previous year, and the overseas sector also recorded an increased financial surplus as the current account shifted into deficit.

The financial deficit of the business sector amounted to **48.1** trillion won, exhibiting an increase of **33.7** percent over the previous year's 36.0 trillion won and the ratio of this financial deficit to nominal GNP also rose from the

13.5 percent of the previous year to 15.9 percent. The expansion in the sector's financial deficit was attributable to the large expansion of equipment investment caused by the return of investor's confidence as to the prospects for the Korean and overseas economies and expansion of the pool of funds available for facilities investment through recourse to foreign-currency denominated loans centering on heavy and chemical industries.

Meanwhile, the individual sector, the principal source of funds in the economy, registered a financial surplus of 33.3 trillion won, showing a rise of 18.1 percent over the 28.2 trillion won of the previous year as household incomes rose in line with the upturn in the business cycle. As a percentage of nominal GNP, this surplus rose slightly to 11.0 percent from the 10.6 percent of the previous year.

As private consumption expenditure increased greatly centering on household durables and services and the increase in the financial surplus of the individual sector lagged the increase in the financial deficit of the business sector, the ratio of the individual sector's financial surplus to the business sector's financial deficit, a measure of the extent to which companies' shortage of funds is met by the savings of individuals, fell from 78.3 percent to 69.2 percent.

The government sector witnessed a widened financial surplus of 7.5 trillion won as against the 6.3 trillion won of the previous year as tax revenues exceeded expectations under the influence of the economic expansion and the sharp increase in imports. The respective surplus of the government sector to nominal GNP showed a slight increase from 2.4 percent to 2.5 percent.

The volume of the overseas sector's financial surplus increased sharply from the 0.3 trillion won of the previous year to 5.0 trillion won as the increase of imports(22.1 percent), reflecting the briskness of export and domestic demand, outstripped the advance of exports(16.8 percent) which were stimulated by the economic recovery of the advanced countries and the improvement of Korean products' international competitiveness resulting from the appreciation of the Japanese yen.

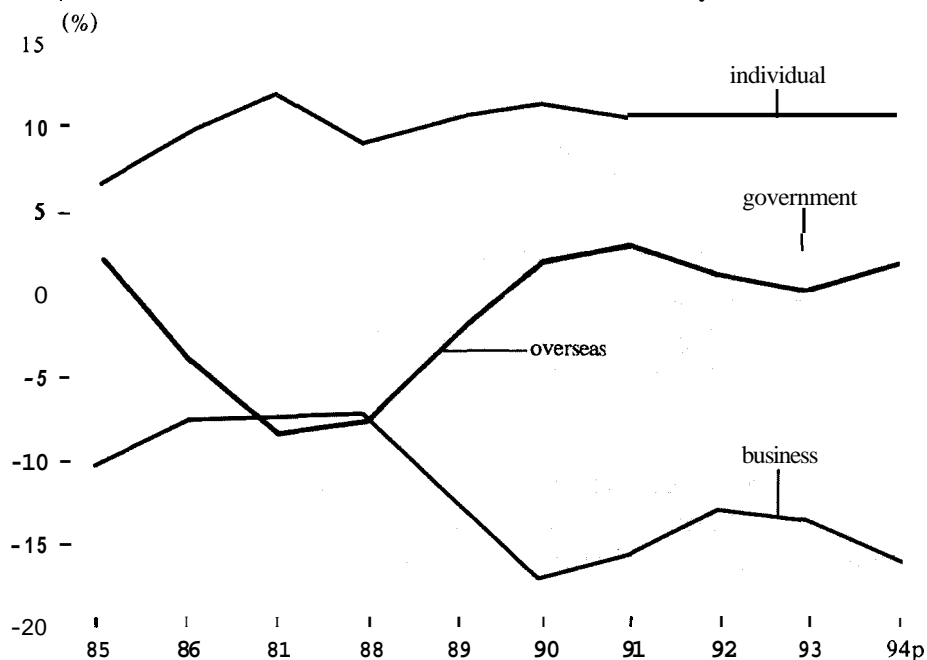
Prompted by these developments, the ratio of its financial surplus to nominal GNP also rose from 0.1 percent to 1.7 percent.

[Table 2]

Financial Balances by Sector

	Unit : billion won, %				
	1990	1991	1992	1993	1994p
Business sector's deficit(A)	29,335.6	32,225.1	30,966.3	35,957.4	48,073.8
Individual sector's surplus(B)	19,681.0	22,023.7	24,331.1	28,166.1	33,276.8
Government sector's surplus	6,459.9	3,742.2	3,016.1	6,285.4	7,512.5
Overseas sector's surplus	2,938.7	5,803.4	2,662.8	267.6	5,048.6
Ratio of financial balances to nominal GNP					
Business sector's deficit	16.5	15.0	13.0	13.5	15.9
Individual sector's surplus	11.0	10.3	10.2	10.6	11.0
Government sector's surplus	3.6	1.7	1.3	2.4	2.5
Overseas sector's surplus	1.6	2.7	1.1	0.1	1.7
B/A	67.1	68.3	78.6	78.3	69.2

(Chart 1) Ratio of Financial Balances to Nominal GNP by Sector



III. Fund Raising and Investment by Non-Financial Sectors

1. Business Sector

During 1994, on an incremental change basis, the business sector raised a total amount of **87.9** trillion won through the financial market. Of this, **48.1** trillion won was allocated to equipment investment and the remaining **39.8** trillion was employed in the acquisition of financial assets.

The business sector's raising of external funds showed a **35.2** percent increase over the previous year's figure of **65.0** trillion won. The large scale of this expansion was attributable to greatly increased equipment investment stimulated by favorable expectations concerning the domestic and foreign economic environments along with a greater call for working capital to handle enlarged output and sales. It was also greatly facilitated by the increased supply of funds mediated through financial institutions as their deposits swelled and by the securities market's improved appetite for corporate bond and stock issues as a result of anticipations of sustained business dynamism and wider opening of the stock market.

Looking at the pattern of funds raised, the share of borrowings from financial institutions, i.e., indirect finance, rose substantially over the previous year with a corresponding decline in that of funds raised by issuing securities such as stocks and corporate bonds, i.e., direct finance.

Funds raised through indirect finance amounted to **39.3** trillion won, which was the almost twice as much as the **20.4** trillion won of the previous year. This increase was brought about by expanded borrowings from both deposit money banks and non-banks such as trust and development institutions. The share of indirect financing in the business sector's total fund raising thus climbed from **31.4** percent to **44.8** percent.

Borrowings from deposit money banks increased greatly from the **8.5** trillion won of the previous year to **18.4** trillion won owing to the expansion of general purpose loans and discounts on commercial bills as well as overdrafts reflecting the increased demand for operating funds and equipment investment with the steady economic expansion. The increase also reflected the enlargement of foreign currency loans made possible by higher loan ratios and the widening of the range of eligible borrowers.

Borrowings from non-banks also rose to **21.0** trillion won, twice as much as the **11.9** trillion won of the previous year. This was partly attributable to the

increased borrowings from trust accounts that reflected the augmented inflow of funds to development trusts and the additional recourse to borrowings from development institutions in connection with facilities funds. Borrowings from investment and finance companies also registered an increase.

Funds raised through direct finance fell slightly from the **34.4** trillion won of the previous year to **34.1** trillion won due to the sluggish issuance of commercial paper and government & public bonds which offset increased volume of stock and corporate bond issuance. Accordingly, the share of direct finance in the business sector's total fund raising fell from **52.9** percent to **38.8** percent. The issuance of commercial paper decreased from **9.0** trillion won to **4.4** trillion won as the previous year's downward trend continued in intermediated commercial paper sold on which competitively high interest rates could obtain while large corporations reduced their issuance of unsecured corporate bills in the favorable liquidity conditions.

In the case of government & public bonds, issuance decreased from **2.2** trillion won to **0.9** trillion won as the issuance of grain management fund bonds shifted from a net issuance of **1.1** trillion won in the previous year to a net repayment position of **0.2** trillion won influenced by the abolition of grain management funds. In contrast, corporations were active in raising funds through the issuance of stocks in the primary market. Despite the reduced inflow of foreign investor's funds for stock investment, which contracted from the **4.8** trillion won of the previous year to **2.4** trillion won, there was brisk stock market activity spurred on by the strong economic expansion and the expectations of its wider opening to foreign investors, with stock prices rising sharply amid lively trading. Against this background, there was an expansion in the number of firms going public and those seeking to increase their capital through right offerings. It was assisted by the waiving of restriction on the volume of such issues by small and medium firms and the carte blanche given to manufacturing firms to increase their capital. Accordingly, the issuance of stocks rose from **9.5** trillion won the previous to **13.2** trillion won. The net issuance of corporate bonds also increased greatly, rising from **9.5** trillion won the previous year to **12.7** trillion won as firms sought to meet their enlarged demand for funds, taking advantage of the improved economic climate and the abolition of regulations limiting the volume of corporate bond issues by small and medium enterprises and manufacturing firms. In line with the buoyant tone of the stock trading market, issues of convertible bonds were particularly brisk.

Meanwhile, borrowings from abroad shifted from a net redemption of **1.5** trillion won the previous year to net inflow of **4.0** trillion won as a result of

the increase in trade credits following the measure allowing a longer settlement period for remittance imports and foreign direct investment increased influenced by the easing of inward investment procedures.

On the funds investment front, the amounts of funds utilized by the business sector in the acquisition of financial assets stood at **39.8** trillion won, an increase of **37.1** percent over the previous year's **29.0** trillion won. This development was primarily derived by the increased demand for operating funds to enlarge business-scale owing to the upswing in sales and production as well as companies' employment of their temporarily surplus funds, such as those earmarked for investments which had been postponed, in the form of financial assets.

Viewing the pattern of fund utilization by type of asset, the share of deposits at financial institutions rose sharply while that of securities holdings fell. Deposits at financial institutions increased from the **11.4** trillion won of the previous year to **18.4** trillion, centering on a rise in deposits at deposit money banks, especially time & savings deposits and CDs and in those at non-banks such as investment & finance companies and trust funds. Consequently, the share of this item in the sector's fund utilization moved up from **39.3** percent to **46.1** percent.

Businesses' deposits at deposit money banks showed a large increase from **3.4** trillion won to **7.8** trillion won. The main contribution came from an expansion of demand deposits driven by the need for access to working capital, and of time & savings deposits, centering on the long-term savings whose interest rates had become competitive. The expanded holdings of short-term marketable products, notably CDs and cover bills, also fueled the growth of deposits at deposit money banks.

Deposits at non-bank financial institutions moved upward by **2.5** trillion won from the **8.0** trillion won of the previous year to **10.5** trillion won, led by deposits at investment & finance companies, primarily factoring cover bills and CMAs and by deposits at banks' trust accounts, centering on company money-in-trust on which the mandatory ratio of Monetary Stabilization Bond holdings and the minimum settlement limit were abolished.

Meanwhile, holdings of securities decreased from **5.6** trillion won to **4.6** trillion won, representing a drop in the item's share in total fund utilization from **19.2** percent to **11.6** percent. This resulted from the reduced holdings of commercial paper and beneficial certificates which more than offset the increase in the sector's holdings of corporate bonds. There was an especially large decrease in holdings of commercial paper from **2.6** trillion won to **0.3** trillion won which reflected its sluggish issuance. Holdings of beneficial certificates

[Table 31] Fund Raising and Utilization by the Business Sector

Unit : billion won, %

	1992		1993		1994p	
	Amount	%	Amount	%	Amount	%
Financial deficit(A-B)	30,966.3	—	35,957.4	—	48,073.8	—
Indirect finance	19,911.5	36.3	20,373.2	34.1	39,347.3	44.8
Borrowings from banks	8,313.0	15.1	8,486.5	13.1	18,366.6	20.9
Borrowing from non-banks	11,598.5	21.1	11,886.7	18.3	20,980.7	23.9
Investment & finance companies	-219.5	-0.4	1,539.6	2.3	3,864.1	4.4
Insurance companies	2,114.3	3.9	2,015.9	3.1	2,061.5	2.3
Trust funds	5,384.8	9.8	2,449.2	3.8	7,060.4	8.0
Others	4,319.0	7.9	5,881.9	9.1	7,994.8	9.1
Direct finance	22,712.7	41.4	34,377.0	52.9	34,070.0	38.8
(National and public bonds)	(571.0)	(1.0)	(2,227.4)	(3.4)	(906.6)	(1.0)
(Commercial paper)	(4,182.5)	(7.6)	(9,016.7)	(13.9)	(4,405.0)	(5.0)
(Stocks)	(7,177.3)	(13.1)	(9,541.6)	(14.7)	(13,198.2)	(15.0)
(Corporate bonds)	(6,616.3)	(12.1)	(9,452.3)	(14.5)	(12,661.0)	(14.4)
Borrowings from abroad	2,527.1	4.6	-1,453.5	-2.2	4,036.8	4.6
Others"	9,737.4	17.7	11,684.9	17.9	10,423.4	11.9
(Trade credits)	(4,877.7)	(8.9)	(5,839.1)	(9.0)	(5,797.8)	(6.6)
Fund raising (A)	54,888.7	100.0	64,981.6	100.0	87,877.5	100.0
Deposits	11,099.0	46.4	11,400.9	39.3	18,360.3	46.1
Banks	3,666.3	15.3	3,443.4	11.9	7,833.6	19.7
(Demand deposits)	(595.2)	(2.5)	(222.4)	(0.8)	(945.7)	(2.4)
(Time & savings deposits)	(3,037.6)	(12.7)	(2,663.7)	(9.2)	(4,623.2)	(11.6)
(CDs)	(-130.4)	(-0.5)	(266.7)	(0.9)	(1,391.4)	(3.5)
(Cover bills)	(—)	(—)	(—)	(—)	(833.2)	(2.1)
Non-banks	7,432.7	31.1	7,957.5	27.4	10,526.7	26.4
(Investment & finance companies)	(-361.7)	(-1.5)	(569.9)	(2.0)	(2,015.8)	(5.1)
(Trust funds)	(5,819.0)	(24.3)	(6,230.6)	(21.5)	(6,441.3)	(16.2)
(Others)	(1,532.1)	(6.4)	(1,564.5)	(5.4)	(2,201.2)	(5.5)
Securities	2,056.8	8.6	5,583.3	19.2	4,625.4	11.6
(Commercial paper)	(463.2)	(1.9)	(2,568.8)	(8.9)	(316.9)	(0.8)
(Corporate bonds)	(-1,267.2)	(-5.3)	(-352.1)	(-1.2)	(1,331.7)	(3.3)
(Stocks)	(1,276.6)	(5.3)	(217.7)	(0.8)	(375.2)	(0.9)
(Financial debentures)	(214.6)	(0.9)	(919.6)	(3.2)	(1,073.2)	(2.7)
(Beneficial certificates)	(790.7)	(3.3)	(1,900.3)	(6.5)	(1,041.5)	(2.6)
Foreign claims	297.7	1.2	282.9	1.0	2,532.0	6.4
Others"	10,468.9	43.8	11,757.1	40.4	14,285.9	35.9
(Trade credits)	(5,965.5)	(24.9)	(7,395.9)	(25.5)	(7,902.0)	(19.9)
Fund utilization(B)	23,922.4	100.0	29,024.2	100.0	39,803.6	100.0

Notes : 1) Trade credits, borrowings from government, bills payable, etc.

2) Trade credits, currency, bills receivable, and loans to affiliates and subsidiaries.

also decreased from 1.9 trillion won to 1.0 trillion won as the issuance of public and corporate bond-type beneficial certificates contracted in the face of the weakening of the competitiveness of their yields following the raising of management fees in the first quarter and the sharp upturn in interest rate on the other short and long-term financial products during the latter half of the year.

However, the holdings of corporate bonds increased from a negative position of 0.4 trillion won to 1.3 trillion won as the volume of corporate bonds issued and their yields rose from the second quarter onwards. There was also an increase in the sector's holdings of financial debentures from 0.9 trillion won to 1.1 trillion won, centering on those of the Korea Long-Term Credit Bank.

The utilization of the sector's funds in the form of foreign claims increased from the 0.3 trillion won of the previous year to 2.5 trillion won, pushing up their share in the sector's fund utilization from 1.0 percent to 6.4 percent. This rise centered on increased overseas investment encouraged by the easing of restrictions on outward direct investment and the simplification of the procedures, and involved together with the increase in exports made on a deferred payments basis over medium and long-term.

2. Individual Sector

The volume of funds invested by the individual sector in the form of financial assets during 1994 increased from 48.0 trillion won to 66.8 trillion won, a 39.2 percent increase over the previous year. This reflected both the expansion in its financial surplus and its much more active fund raising centering on borrowings from financial institutions.

Looking at the pattern of fund utilization, cash holdings, which had swollen greatly following the mandatory use of real names in all financial transactions, decreased from the previous year's 3.1 trillion won to 0.4 trillion won while deposits at financial institutions and holdings of securities both rose. Most notably, deposits at financial institutions, at deposit money banks and non-bank financial institutions alike, advanced from 34.9 trillion won to 53.5 trillion won, a 53.5 percent increase.

In the case of deposits at deposit money banks, there was a large increase in time & savings deposits led by long-term savings, rates on which had become much more competitive since being freed up in the second stage of interest rate deregulation and time deposits for stock subscription. Its holdings of banks' CDs and cover bills, a product introduced in July 1994, also attract-

ed a substantial volume of funds. The sector's aggregate deposits at deposit money banks accordingly rose to 17.1 trillion won, almost double the previous year's amount and bringing the share of this item in its total use of funds up from 17.7 percent to 25.7 percent.

As to deposits at non-bank financial institutions, although they increased from 26.4 trillion won to 36.4 trillion won, their share in the sector's fund utilization slipped from 55.0 percent to 54.5 percent. Viewed in detail, deposits at trust funds expanded, centering on specific money-in-trust and individual pension trusts, and deposits at credit unions and mutual credit facilities also increased prompted by the easing of regulations. These increases offset the sluggish growth of deposits at life insurance and pension funds.

The sector's holdings of securities increased from 9.5 trillion won to 11.4 trillion won but the share of this item in its total fund utilization decreased from 19.8 percent to 17.1 percent. The expansion in the volume of its securities holdings was widely spread as among beneficial certificates, holdings of those of stock-type funds and of short-term public & corporate bond funds both rose. Similarly, holdings of financial debentures, particularly those of the National Housing Funds and the Korea Housing Bank rose as did holdings of corporate bonds whose yields rose amidst increased issuance.

On the other side of the ledger, the amount of funds raised by the individual sector totalled 33.5 trillion won, as against the previous year's 19.8 trillion won. Borrowings from deposit money banks centered on general purpose loans, and those from non-bank financial institutions on trust accounts. Total borrowings from deposit money banks expanded to 8.4 trillion won, almost twice the previous year's 3.9 trillion won. The lower rate of increase in loans for housing and agriculture was more than offset by the expansion of general purpose loans to small businesses included in the private sector and loans for livestock, together with the increase in household loans, which was influenced by the active stock market and the rise in market interest rates.

Meanwhile, borrowings from non-bank financial institutions increased from 12.5 trillion won to 21.7 trillion won led by increased borrowings from trust accounts, mutual savings & finance companies, credit unions and mutual credit facilities.

[Table 41 Fund Raising and Utilization by the Individual Sector

	Unit : billion won, %					
	1992		1993		1994p	
	Amount	%	Amount	%	Amount	%
Financial Surplus(A-B)	24,331.1	—	28,166.1	—	33,276.8	—
Currency	391.8	0.9	3,076.6	6.4	358.8	0.5
Deposits	34,815.2	78.6	34,865.9	72.7	53,528.1	80.2
Banks	8,169.7	18.5	8,472.4	17.7	17,139.0	25.7
(Demand deposits)	(845.8)	(1.9)	(290.0)	(0.6)	(745.4)	(1.1)
(Time & savings deposits)	(7,475.0)	(16.9)	(7,653.1)	(16.0)	(12,636.1)	(18.9)
(CDs)	(-151.0)	(-0.3)	(529.3)	(1.1)	(2,533.7)	(3.8)
(Cover bills)	(—)	(—)	(—)	(—)	(1,223.8)	(1.8)
Non-banks	26,645.5	60.2	26,393.5	55.0	36,389.1	54.5
(Life insurance & pension funds)	(7,645.3)	(17.3)	(7,003.3)	(14.6)	(6,562.5)	(9.8)
(Trust funds)	(7,776.1)	(17.6)	(8,578.4)	(17.9)	(10,830.1)	(16.2)
(Investment & finance companies)	(-647.8)	(-1.5)	(129.0)	(0.3)	(1,061.0)	(1.6)
(Others)	(10,955.4)	(24.7)	(11,500.2)	(24.0)	(18,166.0)	(27.2)
securities	8,333.1	18.8	9,507.6	19.8	11,440.5	17.1
(Beneficial certificates)	(4,173.4)	(9.4)	(5,821.0)	(12.1)	(6,406.3)	(9.6)
(Commercial paper)	(1,139.9)	(2.6)	(737.8)	(1.5)	(186.3)	(0.3)
(Stocks)	(1,972.7)	(4.5)	(476.8)	(1.0)	(490.4)	(0.7)
(Financial debentures)	(-264.3)	(-0.6)	(835.0)	(1.7)	(1,389.6)	(2.1)
(Corporate bonds)	(-936.2)	(-2.1)	(-337.0)	(-0.7)	(614.3)	(0.9)
Others*	733.6	1.7	502.4	1.0	1,429.1	2.1
Fund Utilization(A)	44,273.7	100.0	47,952.5	100.0	66,756.5	100.0
Borrowings	18,118.1	90.9	16,370.9	82.7	30,135.9	90.0
Banks	4,055.5	20.3	3,918.4	19.8	8,389.9	25.1
Non-banks	14,062.6	70.5	12,452.5	62.9	21,745.9	65.0
Insurance companies	1,211.3	6.1	1,548.1	7.8	2,628.6	7.9
Investment & finance companies	-135.0	-0.7	108.7	0.5	194.8	0.6
Others	12,986.4	65.1	10,795.8	54.6	18,922.5	56.5
Others	1,824.5	9.1	3,415.1	17.3	3,343.8	10.0
Fund Raising(B)	19,942.6	100.0	19,786.4	100.0	33,479.7	100.0

Notes : 1) Bills receivable, etc.

3. Government Sector

In 1994, the amount of funds operated by the government sector in the form of financial assets rose to **8.7** trillion won, a **17.9** percent rise over the 7.5 trillion won of the previous year largely attributable to its increased financial surplus as tax revenues increased faster than expenditures.

By type of asset holding, deposits at financial institutions expanded to **3.4** trillion won, almost double the amount of the previous year and this item's share in fund utilization rose from **23.4** percent to **39.1** percent. This resulted from the enlarged deposits at the government's current account with the central bank caused by the expansion of tax revenues and the shift from a decrease to an increase in its demand deposits.

Government loans also increased from 0.8 trillion won to **2.3** trillion won following the transfer of the policy-based technical development fund for small and medium firms on to fiscal fund coincident with the change in a system of the central bank(BOK) refinancing to an aggregate credit ceilings on individual banks. Accordingly, the share of government loans in the sector's total fund utilization rose to **26.2** percent from **11.3** percent. Meanwhile, its holdings of stocks rose to **1.4** trillion won boosted by an expanded equity participation in Korea Highways Corporation, bringing this item's share up to **16.7** percent from **10.9** percent.

However, its holdings of securities other than stocks decreased from **1.0** trillion won to **0.4** trillion won as holdings of corporate bonds and beneficial certificates both fell. This item's share in fund utilization slipped to **4.5** percent. Capital participations also decreased from **1.2** trillion won to 0.5 trillion won in reflection of the effects of the previous year's large-scale support for government-managed businesses related with public housing. This item's share accordingly declined to **5.4** percent.

On the other hand, the amount of funds raised by the government sector in financial markets stood at **1.2** trillion won, which is almost equal to the previous year's amount as redemptions of short-term bonds such as Treasury bills decreased and the issuance of Bonds for Management of Public Bonds rose.

[Table 5] Fund Raising and Utilization by the Government Sector

	Unit : billion won, %					
	1992		1993		1994p	
	Amount	%	Amount	%	Amount	%
Financial Surplus(A-B)	3,016.1	—	6,285.4	—	7,512.5	—
Deposits	-49.9	-1.2	1,719.6	23.4	3,390.0	39.1
(Government current account deposits)	(-1,460.0)	(-34.4)	(662.3)	(9.0)	(1,000.0)	(11.5)
(Time & Savings deposits)	(-185.1)	(-4.4)	(89.2)	(1.2)	(157.2)	(1.8)
(Trust)	(1,079.9)	(25.5)	(926.5)	(12.6)	(1,145.1)	(13.2)
Loans	1,860.1	(43.9)	830.1	11.3	2,270.9	26.2
Others ¹⁾	2,431.4	57.3	4,802.9	65.3	3,008.0	34.7
(Stocks)	(13.4)	(0.3)	(801.7)	(10.9)	(1,449.4)	(16.7)
(Capital participation)	(818.9)	(19.3)	(1,242.0)	(16.9)	(468.4)	(5.4)
(Bonds)	(940.5)	(22.2)	(989.9)	(13.5)	(389.8)	(4.5)
Fund Utilization(A)	4,241.6	100.0	7,532.5	100.0	8,668.9	100.0
Borrowings from financial institutions	668.4	54.5	645.6	60.5	-78.6	-6.8
Public bond issues	273.1	22.3	109.2	10.2	469.1	40.6
Foreign currency denominated bonds	—	—	37.0	3.5	241.0	20.8
Borrowings from abroad	-317.4	-25.9	-420.8	-39.4	-37.0	-3.2
Others	601.5	49.1	696.1	65.2	561.9	48.6
Fund Raising(B)	1,225.5	100.0	1,067.2	100.0	1,156.4	100.0

Note:1) Currency, securities, capital participations, etc.

4. Funds Flows between the Domestic and the Overseas Sectors¹⁾

During 1994, the domestic sector's borrowings from abroad expanded as the current account deficit widened and the domestic sector's claims on the rest-of-the world was also more active. Borrowings from abroad climbed from 6.7 trillion won to 16.0 trillion won as short-term trade credits to domestic companies, the issuance of foreign-currency denominated securities and short-term foreign borrowings by domestic financial institutions all increased while the volume of redemptions contracted.

On the other hand, the domestic sector's claims on the rest-of-the-world

Note :1) Transactions between the domestic and overseas sectors are recorded from the viewpoint of the rest-of-the world ;therefore, the domestic sector's borrowings from abroad are recorded as funds utilized by the overseas sector while the domestic sector's foreign claims are recorded as funds raised by the overseas sector.

(fund raising by the overseas sector) rose from the 6.4 trillion won of the last year to 11.0 trillion won as official holdings of foreign exchange expanded and the growth rate of the foreign exchange holdings of domestic banks increased at the same time as holdings of overseas securities swelled in response to measures to stimulate outward portfolio investment. Claims on the rest-of-the world were also augmented by the expansion of overseas direct investment following the easing of restrictions on it and the simplification of the procedures.

[Table 6] Flow of Funds between the Domestic and Overseas Sectors

		Unit : billion won, %			
		1992	1993	1994p	
Financial surplus of overseas(A + B - C)		2,662.8	267.0	5,048.6	
Foreign Debts	By type	Loans	-765.2	-2,240.7	-241.8
		(Public loans)	(-481.3)	(-1,422.5)	(-222.5)
		(Commercial loans)	(-481.4)	(-857.8)	(-267.5)
		(Bank loans)	(232.7)	(-13.9)	(-249.9)
		(Merchant bank loans)	(-32.9)	(-261.6)	(291.8)
		Direct investment	430.0	413.9	635.3
		Foreign trade credits	675.0	-34.8	1,912.6
		Foreign-currency denominated bonds	2,557.3	3,557.3	3,477.2
		Others ¹⁾	2,964.0	139.2	7,802.0
		(Call money)	(-0.6)	(37.6)	(467.4)
		(Overseas inter-office a/c's)	(528.9)	(76.0)	(1,988.5)
By sector	Financial	2,287.0	1,222.8	7,639.9	
	Government	-317.4	-383.8	204.0	
	Business	3,891.5	995.9	5,741.4	
Foreign Claims	By type	Gold	0.3	0.5	0.2
		Foreign exchange ¹⁾	2,674.3	2,488.6	4,326.9
		Foreign claims	2,226.9	3,917.9	6,638.3
	Funds Raised (C)		4,901.5	6,407.0	10,965.4
	By sector	Financial	4,436.4	5,340.6	8,260.3
		Government	167.4	783.5	173.1
		Business	297.7	282.9	2,532.0

N. Financial Transactions by the Domestic Sectors

The domestic sectors (comprising the financial, individual, business and government sectors) may be divided into two categories by function. The first one is the financial sector, which facilitates the flow of funds from surplus spending units (ultimate lenders of funds) to deficit spending units (ultimate borrowers of funds). The second one is the non-financial sector, which consists of the individual, business, government sectors.

1. Financial Sector

During 1994, the financial sector raised 118.5 trillion won from the other non-financial sectors, while it utilized 120.8 trillion won in the form of financial assets, resulting in respective increase in the volume of funds raised and utilized of 32.7 percent (29.2 trillion won) and 33.4 percent (30.2 trillion won) as against the previous year. The ratio of funds utilized to funds raised edged up from 101.4 percent to 101.9 percent.

[Table 7] Fund Raising and Utilization by the Financial Sector

	1992		1993		1994p	
	Amount	%	Amount	%	Amount	%
Fund Raised(A)	89,883.5	9.8	89,309.6	-0.6	118,532.2	32.7
Fund Utilized(B)	90,839.8	10.0	90,547.9	-0.3	120,768.1	33.4
B/A	101.1	—	101.4	—	101.9	—

Note : rates of change in compared with the previous year.

A. Fund Raising

(1) By type of institutions

Looking at the financial sector's fund raising by type of institutions, funds raised by deposit money banks increased sharply both absolutely and in their share in total fund raising. In contrast, the share of other financial institutions in the sector's total fund raising declined despite the larger amounts of fund raised by other financial institutions such as development institutions and savings institutions, insurance & pension companies. The further interest

rate deregulation, together with the introduction of new financial products such as cover bills, and the higher ceiling limits on their CD issuance relatively strengthened the competitiveness of deposit money banks in deposit taking, spurring rises in their fund-raising through time & savings deposits, borrowings from abroad, and the issuance of the new cover bills. As a net consequence, funds raised by them doubled from 20.0 trillion won to 40.6 trillion won and their share in the sector's total fund raising was boosted from 22.4 percent to 34.2 percent.

Meanwhile, other financial institutions such as development, savings institutions and investment companies also attracted increased deposits, causing their total funds raised to enlarge from 55.1 trillion won to 66.0 trillion won. Funds raised by insurance companies & pension funds grew from 7.8 trillion to 8.6 trillion won. Nevertheless, the share of other financial institutions, and insurance companies & pension funds in total fund raising by the sector fell back to 55.5 percent and 7.3 percent, respectively as the pace of increase in their fund raising was slower than that of deposit money banks.

Examining the details of the increased fund raising by deposit money banks, demand deposits swelled considerably centering on checking and pass-book deposits, and time & savings deposits increased led by time deposits for stock subscription, and long-term time & savings deposits. Their sales of the cover bills introduced in July were very active and their borrowings from abroad also increased, centering on increases in borrowings through inter-office accounts and overdrafts.

[Table 8] Fund Raising by Institutional Type in the Financial Sector

	Unit : billion won, %					
	1992		1993		1994p	
	Amount	%	Amount	%	Amount	%
BOK	10,395.1	11.6	6,904.7	7.7	3,563.3	3.0
Deposit money banks	26,200.4	29.1	19,993.6	22.4	40,567.2	34.2
Insurance companies & Pension Funds	8,969.1	10.0	7,810.6	8.7	8,633.9	7.3
Others	44,356.9	49.3	55,145.3	61.7	65,955.3	55.6
Total	89,883.5	100.0	89,309.6	100.0	118,532.2	100.0

[Table 9]

Fund Raising by Banks

Unit : billion won, %

	1992		1993		1994p	
	Amount	%	Amount	%	Amount	%
Deposits	13,640.6	52.1	16,330.2	81.7	26,400.6	65.1
Demand deposits	2,150.6	8.2	941.7	4.7	2,435.8	6.0
Time & savings deposits	9,675.9	36.9	11,517.4	57.6	17,490.3	43.1
CDs	1,413.6	5.4	3,934.9	19.7	3,298.6	8.1
Cover bills	—	—	—	—	2,252.0	5.6
Securities	947.4	3.6	1,618.8	8.1	3,098.3	7.6
Bonds	493.8	1.9	1,587.6	7.9	992.6	2.4
(Financial debentures)	(493.8)	(1.9)	(1,716.4)	(8.6)	(808.3)	(2.0)
(Overseas securities)	(—)	(—)	(-128.8)	(-0.6)	(184.3)	(0.5)
Stocks	368.0	1.4	26.2	0.1	1,874.7	4.6
Borrowings	4,890.5	18.7	594.8	3.0	110.3	0.3
BOK	3,447.3	13.2	-510.8	-2.6	-2,462.0	-6.1
Government	1,064.6	4.1	948.8	4.7	2,128.8	5.2
Others						
Borrowings	6,721.9	25.6	1,449.8	7.2	10,958.0	27.0
from abroad	(667.6)	(2.5)	(-94.7)	(-0.5)	(5,707.0)	(14.1)
Total	26,200.4	100.0	19,993.6	100.0	40,567.2	100.0

In the case of other financial institutions,²⁾ total funds raised expanded from 55.1 trillion won to 66.0 trillion won. By type of institutions, those raised by savings institutions such as trust accounts, and mutual savings & finance companies increased from 32.5 trillion won to 42.1 trillion won and those by development institutions from 6.3 trillion won to 7.7 trillion won. In contrast, those raised by investment companies decreased from 17.5 trillion won to 11.5 trillion won. The reduced fund raising of investment companies was attributable to heavy repayments of borrowings from deposit money banks and the decreased issuance of their beneficial certificates caused by the rise in the initial fee, which together more than offset the increased deposits

- 2) Other financial institutions include development institutions(Korea Development Bank, Export-Import Bank of Korea, Korea Long Term Credit Bank), savings institutions (mutual credit facilities, credit unions, mutual savings & finance companies, postal savings, trust accounts of banks, community credit cooperatives); investment companies(investment & finance companies, merchant banking corporations, securities investment trust companies); securities institutions(securities companies, the Korea Securities Finance Corporation); and public financial institutions(National Investment Funds, National Housing Fund, Bounty Fund on Worker's Property Formation).

taken as a result of buoyant sales of factoring cover bills and the expansion of CMAs.

The contrasting increase in the funds raised by savings institutions was attributable to enlarged deposits laced with high yielding money-in-trust and specific money-in-trust regulations on which were lifted, and to the steady increase of deposits at the mutual credit facilities of agricultural, fisheries and livestock cooperatives and those at mutual savings & finance companies and community credit cooperatives.

Meanwhile, the increase of funds raised by development institutions was attributable partly to the rise of borrowings from abroad through the issuance of foreign-currency denominated securities and partly to the enlarged funds obtained through repurchase agreements.

[Table 10] Fund Raising by Other Financial Institutions Unit : billion won, %

	1992		1993		1994p	
	Amount	%	Amount	%	Amount	%
Development Institutions	1,009.6	2.3	6,257.8	11.3	7,710.4	11.7
Bonds	3,112.6	7.0	4,573.2	8.3	4,805.0	7.3
(Financial debentures)	(1,919.7)	(4.3)	(3,510.2)	(6.4)	(3,581.9)	(5.4)
(Foreign currency denominated bonds)	(1,192.9)	(2.7)	(1,063.0)	(1.9)	(1,223.2)	(1.9)
Savings Institutions	29,816.4	67.2	32,481.7	58.9	42,069.3	63.8
Deposits	28,113.0	63.4	29,121.8	52.8	35,457.0	53.8
(Trust)	(15,523.4)	(35.0)	(16,887.6)	(30.6)	(20,057.6)	(30.4)
Investment Companies	11,204.9	25.3	17,484.3	31.7	11,449.0	17.4
Deposits	-615.2	-1.4	625.3	1.1	3,828.6	5.8
Bonds	8,114.9	18.3	13,654.3	24.8	9,108.2	13.8
(Beneficial certificates)	(7,713.4)	(17.4)	(13,050.3)	(23.7)	(8,449.4)	(12.8)
Borrowings	1,623.7	3.7	3,598.1	6.5	-1,687.3	-2.6
Securities Institutions	-34.3	-0.1	2,609.5	4.7	2,889.6	4.4
Public Financial Institutions	1,098.0	2.5	1,472.7	2.7	2,265.5	3.4
Total	44,356.9	100.0	55,145.3	100.0	65,955.3	100.0

(2) By type of financial institutions

Looking at fund raising in 1994 by type of financial instruments, deposits increased from the 53.3 trillion won of the previous year to 75.9 trillion won, primarily bolstered by deposits at deposit money banks and their share in

total fund raising advanced from 59.7 percent to 64.0 percent.

This large expansion in deposit taking was widely spread. Time & savings deposits including time stock subscription deposits, time deposits, installment savings deposits were buoyant and banks' sales of the cover bills introduced in July were brisk. The increase of deposits settled at money-in-trust centered on specific money-in-trust, and individual pension trusts. The issuance of securities, however, fell from the 23.9 trillion won of the previous year to 16.6 trillion won and its share in total fund raising also declined from 26.8 percent to 14.0 percent. Its contraction was attributable to the large scale redemption of Monetary Stabilization Bonds and the decreased issuance of investment beneficial certificates, despite the active issuance of Long Term Credit Debentures. Fund raising through the issuance of stocks soared from 0.2 trillion won to 2.9 trillion won owing to capital increases by certain deposit money banks and by some investment institutions, such as merchant banking companies.

[Table 111

Fund Raising by Instrument Type

Unit : billion won, %

	1992		1993		1994p	
	Amount	%	Amount	%	Amount	%
Deposits	51,607.9	57.4	53,282.2	59.7	75,914.3	64.0
Demand Deposits	2,166.5	2.4	926.5	1.0	2,451.1	2.1
Government's Current Accounts	-1,296.1	-1.4	952.9	1.1	1,040.1	0.9
Time & Saving Deposits	9,678.7	10.8	11,505.6	12.9	17,490.3	14.8
CDs	1,413.6	1.6	3,934.9	4.4	3,298.6	2.8
RPs	3,267.4	3.6	-2,153.3	-2.4	295.3	0.2
Trust Accounts	15,369.8	17.1	16,202.5	18.1	19,558.1	16.5
Bonds	20,512.4	22.8	23,906.2	26.8	16,591.7	14.0
Short-term	7,395.9	8.2	2,850.2	3.2	690.8	0.6
Long-term	13,116.5	14.6	21,056.0	23.6	15,900.9	13.4
(Financial debentures)	(2,815.0)	(3.1)	(5,693.9)	(6.4)	(4,619.6)	(3.9)
(Beneficial certificates)	(7,713.4)	(8.6)	(13,050.3)	(14.6)	(8,449.4)	(7.1)
Stocks	637.0	0.7	187.8	0.2	2,947.9	2.5
Borrowings	7,234.5	8.0	1,133.7	1.3	-1,633.1	-1.4
from BOK	3,447.3	3.8	-510.8	-0.6	-2,247.9	-1.9
from DMBs	2,153.7	2.4	409.9	0.5	-1,840.7	-1.6
from Government	1,310.3	1.5	1,092.4	1.2	2,257.5	1.9
Total	89,883.5	100.0	89,309.6	100.0	118,532.2	100.0

B. Fund Utilization

(1) By type of institutions

The funds utilized by the financial sector moved upward from the **90.5** trillion won of the previous year to **120.8** trillion won; a **33.4** percent increase. Looking at the pattern of fund utilization by type of financial institutions, the funds utilized by deposit money banks increased greatly from **20.5** trillion won to **41.8** trillion won as the available funds were greatly augmented by favorable deposit taking and the share of deposit money banks in the financial sector's total fund utilization advanced from **22.7** percent to **34.6** percent.

Meanwhile, the funds utilized by other financial institutions rose slightly from **55.5** trillion won to **66.3** trillion won and the corresponding share in the financial sector's total fund utilization declined from **61.3** percent to **54.9** percent. In the case of insurance companies and pension funds, the amount of funds utilized increased slightly from **8.1** trillion won to **8.9** trillion won but the corresponding share fell back from **8.9** percent to **7.3** percent.

Looking at the fund utilization of deposit money banks, loans increased from **13.0** trillion won to **25.1** trillion won as general purpose lending and overdrafts to businesses grew and loans for individuals expanded sharply.

Purchases of stocks rose to **3.1** trillion won which was the three times as much as the previous year's **1.0** trillion won against the background of brisk market activity. Holdings of other securities also expanded from **3.3** trillion won to **4.9** trillion won, centering on financial debentures.

[Table 12]

Financial Investment by Institutional Type

	Unit : billion won, %					
	1992		1993		1994p	
	Amount	%	Amount	%	Amount	%
BOK	10,370.5	11.4	7,009.2	7.7	4,038.9	3.3
Deposit Money Banks	25,926.0	28.5	20,512.3	22.7	41,753.2	34.6
Insurance Companies and Pension Funds	9,082.4	10.0	8,066.3	8.9	8,865.0	7.3
Others	45,499.0	50.1	55,504.8	61.3	66,298.4	54.9
Total	90,839.8	100.0	90,547.9	100.0	120,768.1	100.0

[Table 131

Financial Investment by Deposit Money Banks

Unit : billion won, %

	1992		1993		1994p	
	Amount	%	Amount	%	Amount	%
Deposit at BOK	1,082.5	4.2	847.2	4.1	903.5	2.2
RPs	1,838.7	7.1	-1,023.6	-5.0	37.7	0.1
securities	2,936.7	11.3	4,301.6	21.0	7,989.7	19.1
Bonds	2,256.2	8.7	3,322.9	16.2	4,912.1	11.8
(Financial debentures)	(3,298.8)	(12.7)	(2,681.6)	(13.1)	(4,510.8)	(10.8)
(Corporate bonds)	(-1,462.7)	(-5.6)	(-580.7)	(-2.8)	(181.5)	(0.4)
stocks	680.5	2.6	978.7	4.8	3,077.7	7.4
Loans	14,659.0	56.5	13,014.7	63.4	25,051.1	60.0
(Business)	(8,313.0)	(32.1)	(8,486.5)	(41.4)	(18,366.6)	(44.0)
(Individual)	(4,055.5)	(15.6)	(3,918.4)	(19.1)	(8,389.9)	(20.1)
Total	25,928.0	100.0	20,512.3	100.0	41,753.2	100.0

Meanwhile, looking at the fund utilization of other financial institutions by type of institution, that of investment institutions dropped from 17.5 trillion won to 11.5 trillion won as their fund raising decreased due to the sluggish issuance of beneficial certificates, leading to fall in their share in other financial institutions' total fund utilization from 31.5 percent to 17.4 percent. In contrast, those both by investment companies and savings institutions grew, bringing their respective shares in the grouping's fund utilization from 10.6 percent to 11.2 percent and from 58.7 percent to 63.4 percent.

[Table 141

Financial Investment by Other Financial Institutions

Unit : billion won, %

	1992		1993		1994p	
	Amount	%	Amount	%	Amount	%
Development Institutions	1,292.0	2.8	5,896.5	10.6	7,396.0	11.2
Savings Institutions	30,208.8	66.4	32,603.5	58.7	42,014.4	63.4
Investment Companies	10,929.9	24.0	17,470.0	31.5	11,538.6	17.4
securities Institutions	290.6	0.6	2,760.5	5.0	2,921.2	4.4
Public Financial Institutions	1,515.3	3.3	1,934.9	3.5	2,856.7	4.3
Total	45,499.0	100.0	55,504.8	100.0	68,298.4	100.0

In the case of savings institutions, loans expanded sharply from 14.4 trillion won to 25.8 trillion won, primarily centering on loans from trust accounts and its acquisition of stock swelled from 0.8 trillion won to 2.6 trillion won. Thus, the respective shares of loans and stock acquisitions in the fund utilization of savings institutions increased from 44.1 percent to 61.3 percent and from 2.5 percent to 6.2 percent.

However, holdings of other securities, despite increased holdings of corporate bonds and commercial paper, declined from 12.6 trillion won to 7.7 trillion won as holdings of financial debentures showed a negative position of 0.6 trillion won as against the 3.8 trillion won of the previous year and those of beneficial certificates also declined. Accordingly, this item's share in fund utilization fell back from the 38.7 percent of the previous year to 18.4 percent. Holdings of deposits decreased from the 2.1 trillion won of the previous year to 0.6 trillion won and its share fell from 6.5 percent to 1.4 percent as holdings of CDs contracted.

[Table 15]

Financial Investment by Savings Institutions

Unit : billion won, %

	1992		1993		1994p	
	Amount	%	Amount	%	Amount	%
Deposits	1,665.4	5.5	2,103.6	6.5	584.4	1.4
CDs	1,518.5	5.0	1,346.5	4.1	641.4	1.5
Bonds	6,309.6	20.9	12,633.2	38.7	7,739.2	18.4
Commercial paper	1,490.6	4.9	4,280.9	13.1	4,367.4	10.4
Corporate bonds	3,240.7	10.7	1,634.0	5.0	2,815.6	6.7
Beneficial certificates	857.8	2.8	3,267.3	10.0	670.8	1.6
Financial debentures	331.5	1.1	3,786.0	11.6	-576.4	-1.4
stocks	396.4	1.3	830.1	2.5	2,618.9	6.2
Loans	18,364.4	60.8	14,391.8	44.1	25,751.3	61.3
Total	30,208.8	100.0	32,603.5	100.0	42,014.4	100.0

Meanwhile, investment companies expanded their stock purchases from 0.5 trillion won to 3.7 trillion won in an environment characterized by an economic upturn and the favorable tone of the stock market and increased their loans from 2.5 trillion won to 4.0 trillion won. Accordingly, the respective shares of stock acquisitions and loans in the utilization of funds burgeoned from 3.1 percent to 32.2 percent and from 14.5 percent to 35.0 percent.

In contrast, its holdings of deposits declined to a negative position of 1.4

trillion won as against a positive position of 3.8 trillion won, reflecting primarily the decrease in time & savings deposits and CDs. Its holdings of non-equity securities also decreased from 12.0 trillion won to 4.8 trillion won led downward by reductions in those of commercial paper and financial debentures.

[Table 16]

Financial Investment by Investment companies

Unit : billion won, %

	1992		1993		1994p	
	Amount	%	Amount	%	Amount	%
Deposits	-261.6	-2.4	3,774.1	21.6	-1,364.1	-11.8
Time & Savings Deposits	162.2	1.5	1,200.3	6.9	-356.7	-3.1
CDs	144.4	1.3	1,199.5	6.9	-849.2	-7.4
Money in trust	138.0	1.3	337.9	1.9	817.2	7.1
Bonds	10,313.2	94.4	11,964.1	68.5	4,830.4	41.9
Commercial paper	1,015.8	9.3	975.5	5.6	-818.9	7.1
Financial debentures	4,029.6	36.9	1,683.1	9.6	-497.2	-4.3
corporate bonds	4,462.9	40.8	8,003.9	45.8	5,503.3	47.7
Stocks	-462.7	-4.2	549.4	3.1	3,720.3	32.2
Loans	214.7	2.0	2536.9	14.5	4,035.7	35.0
Total	10,929.9	100.0	17,470.0	100.0	11,538.6	100.0

(2) By type of financial instruments

During 1994, looking at the fund utilization of the financial sector by type of financial assets, loans expanded greatly from 37.4 trillion won to 65.5 trillion won led mainly by the increase in loans extended by deposit money banks and trust accounts and the share of loans in fund utilization by the financial sector rose from 41.3 percent 54.2 percent.

Stock holdings, too, expanded, growing from the 3.4 trillion won of the previous year to 11.4 trillion won and their share in utilization of the funds leapt from 3.7 percent to 9.4 percent as stock acquisitions by deposit money banks and other financial institutions both saw a sharp increase.

Meanwhile, holdings of non-equity securities retreated from 29.4 trillion won to 20.0 trillion won as holdings of financial debentures, commercial paper and beneficial certificates all fell offsetting an increase in holdings of corporate bonds. In consequence, the ratio of non-equity securities holdings to total utilization of funds by the financial sector virtually halved, falling from 32.5 percent to 16.6 percent.

Similarly, there was a marked decline in the sector's holdings of deposits at financial institutions. These shrank dramatically from 4.3 trillion won to a negative position of 0.2 trillion won due especially to its reduced holdings of CDs. The item's corresponding share in fund utilization declined from 4.7 per cent to a negative share of 0.1 percent.

[Table 171 Financial Investment by Type of Financial assets

	Unit : billion won, %					
	1992		1993		1994p	
	Amount	%	Amount	%	Amount	%
Deposits at BOK	1,161.5	1.3	883.7	1.0	844.6	0.7
Deposits	4,583.0	5.0	4,256.9	4.7	-166.8	-0.1
Time & Savings	-648.7	-0.7	1,099.6	1.2	73.8	0.1
CDs	1,667.3	1.8	2,944.8	3.3	-1,476.2	-1.2
RPs	1,785.1	2.0	-1,022.0	-1.1	703.7	0.6
Bonds	25,252.2	27.8	29,428.1	32.5	20,022.4	16.6
Financial debentures	10,340.6	11.4	6,669.9	7.4	2,596.7	2.2
Commercial paper	2,641.7	2.9	5,631.9	6.2	3,925.5	3.3
Corporate bonds	8,552.5	9.4	9,506.1	10.5	10,562.8	8.7
Beneficial certificates	1,826.3	2.0	4,853.0	5.4	711.8	0.6
Stocks	2,848.4	3.1	3,393.5	3.7	11,402.4	9.4
Loans	44,622.2	49.1	37,431.0	41.3	65,514.1	54.2
Foreign Reserves	2,674.3	2.9	2,488.0	2.7	4,326.9	3.6
Total	90,839.8	100.0	90,547.9	100.0	120,788.1	100.0

2. Domestic Non-financial Sectors

During 1994, looking at fund raising and utilization by domestic non-financial sectors, i.e., the individual, business and government sectors, there was a favorable environment for fund raising characterized by the improved availability of funds and the buoyant tone of stock market. At the same time, the scale of the business sector's funding deficit rose greatly. Under these conditions, both the individual and the business sector expanded their fund raising. Hence, total funds raised by domestic non-financial sectors rose by 42.7 percent from the previous year's 85.8 trillion won to 122.5 trillion won.

Meanwhile, their total fund utilization achieved a **36.6** percent increase to **115.2** trillion won as against the previous year's **84.3** trillion won. The expansion was composed of enlarged funds surpluses in private and government sectors and of business sector's expanded utilization of fund, reflecting its heavier borrowings and demand for working capital to finance the expansion of production.

Examining the pattern of fund raising, the volume of indirect finance through financial institutions expanded from **37.4** trillion won to **69.4** trillion won and its share in total fund raising soared from **43.6** percent to **56.6** percent. This was attributable to increased borrowings from deposit money banks, centering on general purpose loans, the discount of commercial bills, and overdrafts, while those from trust accounts, development institutions and mutual credit facilities also expanded.

Funds raised by the issuance of securities recorded a slight increase from **34.5** trillion won to **34.8** trillion won but its share in overall fund-raising dropped from **40.2** percent to **28.4** percent as the issuance of commercial paper halved from that of the previous year even though that of stocks and corporate bonds was brisk.

Meanwhile, borrowings from abroad shifted from a net redemption of **1.9** trillion won to an inflow of **4.0** trillion won and its share also changed from a negative **2.2** percent to **3.3** percent, despite reduced inward portfolio investment, as trade credits converted from a net repayment position to net borrowing and direct investment by foreigners increased due to the easing of the relevant regulation.

As to fund utilization, deposits at financial institutions leapt from **48.0** trillion won to **75.3** trillion won and their share also increased from **56.9** percent to **65.3** percent, reflecting increased deposits at both deposit money bank, centering on time & savings deposits, CDs and sales of cover bills, and at non-banks, most notably at trust accounts, and at mutual savings & finance companies.

[Table18] Sources and Uses of Funds by the Domestic Non-financial Sector

Unit : billion won, %

		1992		1993		1994p	
		Amount	%	Amount	%	Amount	%
Sources of funds	By Sector						
	Business	54,888.7	72.2	64,981.6	75.7	87,877.5	71.7
	Individual	19,942.6	26.2	19,786.4	23.1	33,479.7	27.3
	Government	1,225.5	1.6	1,067.2	1.2	1,156.4	1.0
	Total Funds Raised	76,056.8	100.0	85,835.2	100.0	122,513.5	100.0
	Borrowings	38,698.0	50.9	37,389.7	43.6	69,404.6	56.6
	Banks	12,505.2	16.4	12,604.8	14.7	26,891.7	21.9
	Non-banks	26,192.8	34.4	24,784.9	28.9	42,512.9	34.7
	securities	22,985.7	30.2	34,523.3	40.2	34,780.0	28.4
	(Stocks)	(7,177.3)	(9.4)	(9,541.6)	(11.1)	(13,198.2)	(10.8)
	(Commercial paper)	(4,182.5)	(5.5)	(9,016.7)	(10.5)	(4,405.0)	(3.6)
	(Corporate bonds)	(6,616.3)	(8.7)	(9,452.3)	(11.0)	(12,661.0)	(10.3)
	Borrowings from abroad	2,209.6	2.9	-1,874.4	-2.2	3,999.8	3.3
	Others	12,163.4	16.0	15,796.5	18.4	14,329.1	11.7
Uses of Funds	By Sector						
	Business	23,922.4	33.0	29,024.2	34.4	39,803.6	34.6
	Individual	44,273.7	61.1	47,952.5	56.9	66,756.5	57.9
	Government	4,241.6	5.9	7,352.6	8.7	8,668.9	7.5
	Total Funds Utilized	72,437.7	100.0	84,329.3	100.0	115,229.0	100.0
	Deposits	45,864.3	63.3	47,986.5	56.9	75,278.5	65.3
	Banks	10,492.7	14.5	15,610.0	15.0	27,346.9	23.7
	Non-banks	35,371.6	48.8	35,376.4	41.9	47,931.6	41.6
	securities	12,162.7	16.8	18,124.5	21.5	18,373.4	15.9
	(Stocks)	(3,262.7)	(4.5)	(1,496.2)	(1.8)	(2,315.0)	(2.0)
	(Commercial paper)	(1,540.8)	(2.1)	(3,384.8)	(4.0)	(480.0)	(0.4)
	(Financial debentures)	(-129.7)	(-0.2)	(1,874.2)	(2.2)	(2,713.7)	(2.4)
	(Corporate bonds)	(-2,010.2)	(-2.8)	(-187.7)	(-0.2)	(2,064.4)	(1.8)
	Foreign claims	465.1	0.6	1,066.4	1.3	2,705.1	2.3
	Others	13,945.6	19.3	17,151.9	20.3	18,872.0	16.4

Meanwhile, funds utilized in the acquisition of securities rose slightly from 18.1 trillion won to 18.4 trillion won as holdings of corporate bonds reversed from a net redemption to an increase and those of stocks and financial debentures expanded. Nevertheless, their share in fund-utilization declined from 21.5 percent to 15.9 percent.

V . Accumulation of Financial Assets

As of the end of 1994, overall financial asset held by domestic non-financial sectors recorded 715.6 trillion won, which was a 120.4 trillion won (20.2 percent) increase compared with the previous year's 595.2 trillion won.

As the growth rate of asset accumulation increased more rapidly than that of nominal GNP, the ratio of financial asset accumulation to nominal GNP moved up from 2.24 to 2.36.

Reviewing the financial asset accumulation by sector, the individual sector gathered 401.3 trillion won as against the previous year's 328.6 trillion won and its share of the total also crept up from 55.2 percent to 56.1 percent as its deposits at financial institutions expanded centering on time & savings deposits, CDs and trust products.

In the case of the business sector, financial asset accumulation increased from the 206.4 trillion won of the previous year to 245.9 trillion won, a 19.1 percent increase, due to its expanded holdings both of deposits at financial institutions, notably time & savings deposits and trust products and of securities, including corporate bonds, beneficial certificates and stocks.

The government sector's financial asset accumulation also recorded a 14.6 percent increase to 68.4 trillion won as against the previous year's 59.7 trillion won owing to augmented deposits at financial institutions such as government current account, trust deposits, government loans and holdings of stocks.

However, as the growth of financial asset accumulation in the business and government sectors failed to keep pace with that of the individual sector, the respective shares of the two former sectors in total domestic financial asset accumulation fell from 34.7 percent to 34.4 percent and from 10.0 percent to 9.5 percent, respectively.

Looked at by type of asset, total deposits at financial institutions expanded from 315.5 trillion won to 390.7 trillion won, bringing their shares in domestic non-financial sectors' total financial asset accumulation up from 52.6 percent to 54.6 percent. This performance reflected the expansion of deposits at deposit money bank which was led by time & savings deposits and CDs and of those at non-banks, centering on trust, mutual credit and mutual savings & finance companies. Meanwhile, holdings of securities increased from 142.3 trillion won to 164.3 trillion won centering on those of corporate bonds and stocks while their share in total asset acquisition declined from 23.7 percent to 23.0 percent.

Meanwhile, the financial interrelation ratio³⁾ (domestic financial assets outstanding/nominal GNP) which measures the degree of financial asset accumulation in the economy as a whole, rose from 4.54 to 4.73 in the year under review. When compared with that in other countries, the financial interrelation ratio of Korea remains somewhat low, trailing that of Japan(7.10 in 1993), U.S.A(6.16 in 1993), and Taiwan(5.68 in 1992).

[Table 19] Financial Assets Outstanding by Domestic Non-financial Sectors''
Unit : billion won, %

		1992		1993		1994p	
		Amount	%	Amount	%	Amount	%
By Sector	Business	177,709.8	34.5	206,389.1	34.7	245,859.1	34.4
	Individual ²⁾	283,267.3	55.1	328,621.6	55.2	401,299.7	56.1
	Government	53,574.4	10.4	59,698.5	10.0	68,412.9	9.5
	Total	514,551.5	100.0	595,209.2	100.0	715,571.7	100.0
By Type	Deposits	265,042.2	51.5	315,465.2	52.6	390,743.6	54.6
	banks	93,659.6	18.2	105,369.6	17.6	131,659.4	18.3
	non-banks	171,382.6	33.3	210,095.6	35.0	260,084.2	36.3
	Securities	121,708.4	23.7	142,335.0	23.7	164,308.1	23.0
	Others ³⁾	127,800.9	24.8	137,409.0	23.1	160,520.0	22.4

Notes : 1) On the basis of financial assets outstanding

2) Including households, private nonprofit organization and a small-scale private businesses (in the case of agency business and brokerage, those with annual sales of less than 75 million won, and in manufacturing and other businesses, those with annual sales of less than 300 million won)

3) Currency, trade credits, borrowings from government, bills receivable, etc

3) This is also known as the Goldsmith ratio. Originally, it represented the ratio of financial assets outstanding to national wealth but in view of of basic statistical problems, it is now usually presented as the ratio of financial assets outstanding to nominal GNP.