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TRADE LENS

투자에 초점을 맞추다.

MACRO INSIGHT / No.13

Korea credit · use of funds · real activity and repayment

Will Korea's Credit Expansion Reach the Real Economy?

Household and Corporate Lending Through the Lens of Cash Flow

Three tests linking credit, spending, cash recovery and repayment

+KRW 6.4tn
Oct household loans, all sectors [1]

+KRW 10.2tn
Oct corporate bank loans [2]

4.57%
Sep new-business lending rate [7]

Credit is growing.
Its destination and repayment capacity determine the recovery.

Separate borrowing that creates new demand from borrowing that fills a cash gap.

Analysis date 14 November 2026

TRADELENS.KR

Business, industry and macroeconomic structure

01 / RESEARCH VIEW

The destination of credit determines the recovery

Core question: does borrowing create new demand, or carry existing obligations forward?

The base case is **a selective recovery supported by working capital and some investment, rather than a broad consumption boom**. Credit can prevent payment and production disruptions. But when borrowing stays in asset transactions or refinancing, or debt service outruns income, today's expansion can constrain tomorrow's spending.

Observed fact	Economic interpretation	Evidence that changes the view
Household loans +KRW 6.4tn **October, all sectors** [1]	Mortgage and other loans both rose. The increase is not a consumption budget.	Real income and consumption improve together.
Corporate loans +KRW 10.2tn **October, banks** [2]	More funding is not the same as more equipment orders.	Facility loans connect to orders and cash collection.
Private consumption -0.2% **Q3 real, quarter-on-quarter** [5]	The breadth of recovery needs independent real-activity evidence.	Improvement spreads to consumption and non-chip investment.

A constructive route

Firms with confirmed orders bridge payment timing gaps and sustain production and employment. Households can smooth a temporary income shortfall.

A defensive route

Borrowing supports asset prices or old debt without raising operating cash or income. Extending a maturity does not resolve the underlying loss.

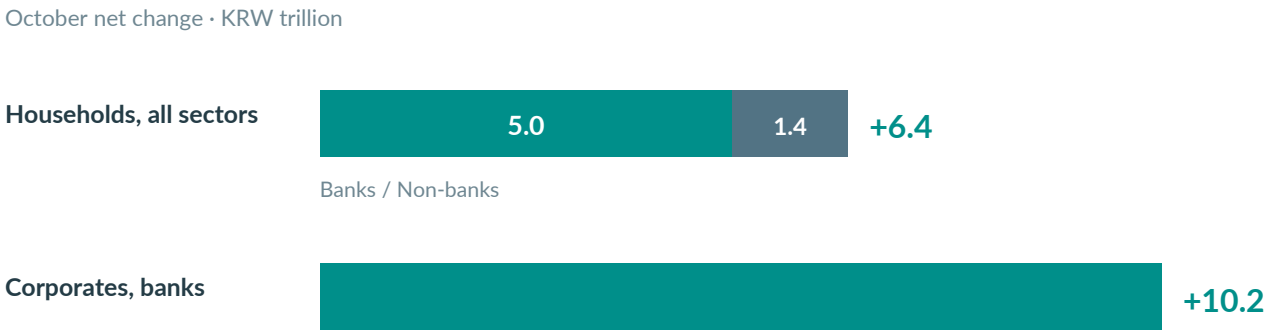
The decision framework

Credit → use of funds → new output or consumption → income and cash collection → debt service. Identify which link is actually improving.

02 / CREDIT BASELINE

Household and corporate figures have different coverage

KRW trillion. October changes in outstanding balances, not gross originations or increases in real purchasing power.



Bank household loans are included in the household total; corporate data cover banks. [1] [2]

The KRW 6.4tn household total includes KRW 5.0tn from banks and KRW 1.4tn from non-banks. Adding bank household lending again would double-count it. The KRW 10.2tn corporate figure covers banks only, so combining the two does not produce Korea's total increase in private credit. [1] [2]

Observation	What it captures	What it does not capture
Household loans +6.4 [1]	Net financial-sector household lending	All household liabilities, sales credit or spending uses
Corporate bank loans +10.2 [2]	Net bank lending to firms	All bonds, commercial paper, offshore or non-bank funding
Bank deposits / funding +30.4 [2]	Change in bank funding balances	A pool of idle cash waiting to be lent

Interpretation

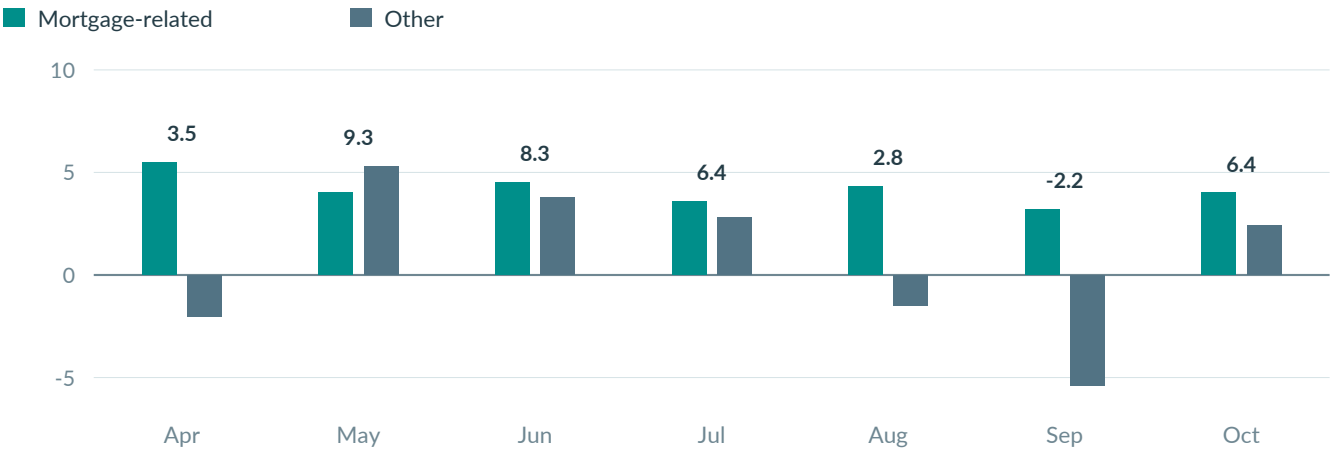
Loans and deposits are linked balance-sheet entries. Subtracting loan growth from deposit growth does not directly measure idle funds or consumption capacity. [12]

03 / HOUSEHOLD REBOUND

Other loans drove most of the month-to-month swing

Monthly net household lending across all financial sectors. Mortgage-related and other loans use the same period and scope.

All financial sectors · monthly net change · KRW tn



Numbers above bars: total net change. October preliminary. [1]

Net change · KRW tn	September	October, preliminary	Change in net growth
Mortgage-related	+3.2	+4.0	+0.8
Other loans	-5.4	+2.4	+7.8
Total	-2.2	+6.4	+8.6

Other loans account for **90.7%** of the KRW 8.6tn swing in monthly net growth: 7.8 / 8.6. This is an arithmetic contribution to the change, not the share of October originations used for consumption. Mortgage-related loans account for 62.5% of October's net increase. [1] · TradeLens calculations

A signal distinct from demand strength

Reporting of the BOK's explanation cites September write-offs and bonus-related base effects, as well as October net equity purchases. A one-month rebound is not sufficient evidence of a surge in durable-goods or living-expense demand. [14]

04 / CORPORATE CREDIT

Working capital can signal growth—or slower collection

October bank lending and Q2 lending by purpose are separate datasets; the latter does not identify October uses.

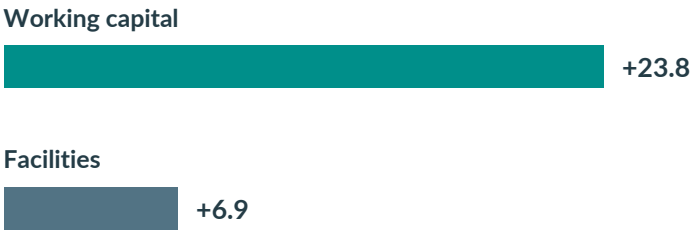
October bank corporate

+10.2

KRW trillion

September: +10.7tn [2]

Q2 depository corporations · KRW tn



Panels differ in period and scope; Q2 figures do not allocate October lending. [2] [3]

Corporate bank loans rose KRW 10.2tn in October after KRW 10.7tn in September. Supplementary reporting points to VAT-payment demand among smaller firms. Borrowing for taxes, payroll and materials can sustain output without being expansion capital. [2] [14]

Same loan increase	Healthy expansion	Liquidity strain
Receivables	Rise alongside orders and sales	Sales stall while customers pay later
Inventory	Prepared against confirmed orders	Weak demand slows turnover
Debt maturity	Aligned with cash collection	Relies on repeated extensions

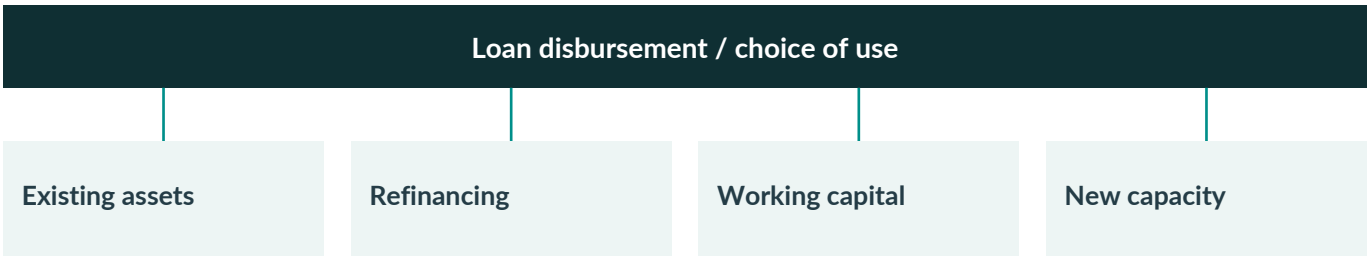
What the data support

In Q2 industry lending, working-capital growth of KRW 23.8tn was about 3.45 times facility-loan growth of KRW 6.9tn. The KRW 0.1tn gap between the components' sum and the 30.6tn total is retained as published rounding. [3]

05 / TRANSMISSION MAP

Loan disbursement is only the start of the transmission

TradeLens analytical map. Real effects depend on both the initial recipient and the eventual use of funds.



The link to new spending, income and cash recovery differs by route.

Route	Condition for a real-economy effect	Overinterpretation to avoid
Existing home purchase	Seller proceeds re-enter consumption, construction or services	Counting the entire asset price as current output
Refinancing / repayment	Better rates or maturities release usable cash	Treating gross new borrowing as entirely new purchasing power
Inventory / receivables	Financing supports output growth or normal collection	Classifying all working capital as either growth or distress
Equipment / new building	Installation, operation and sales generate cash	Treating all facility loans as immediate domestic GDP

Credit finances expenditure; it does not establish the result. A transfer of an existing asset or the purchase of a financial claim is not wholly new production. Imported equipment also requires a distinction between the import value and domestic installation or operating effects.

> **The important counterargument**
>
> Even when net new spending is small, funding can preserve payment chains and prevent an output contraction. Creating growth and avoiding a larger decline are different effects, but both can have economic value.

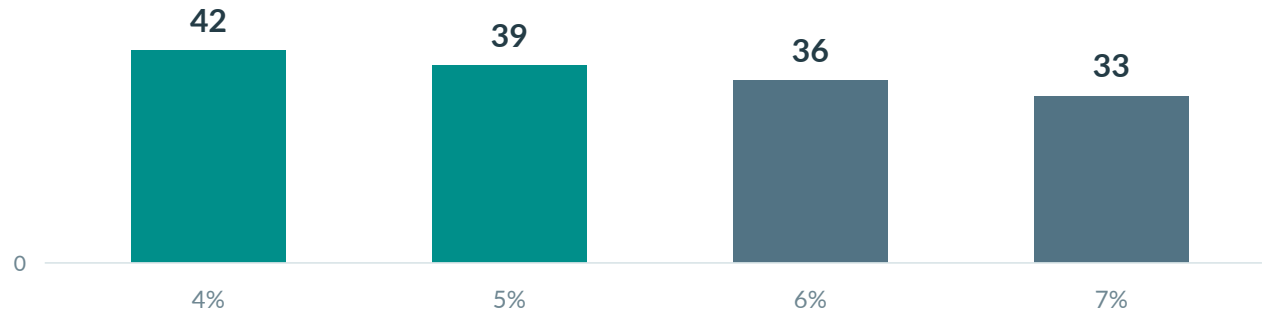
06 / HOUSEHOLD CASH FLOW

More credit today can mean less spendable cash tomorrow

Illustrative assumptions—not the average Korean household or a regulatory debt-service-ratio calculation.

Assume annual disposable income of KRW 60m, debt of KRW 300m and annual principal repayment of KRW 6m. Principal is paid at year-end; interest applies to the opening balance. Holding other conditions constant, a 1 percentage-point rate rise adds KRW 3m of annual interest.

Annual cash after debt service · KRW million



Interest rate	Annual interest	Total debt service	Cash after service
4%	KRW 12m	KRW 18m	KRW 42m
5%	KRW 15m	KRW 21m	KRW 39m
6%	KRW 18m	KRW 24m	KRW 36m
7%	KRW 21m	KRW 27m	KRW 33m

Moving from 5% to 6% reduces cash after debt service by 7.7%. This is not a forecast of consumption. Households may adjust saving, labor income, asset sales or maturities; fixed rates and reset dates also change the timing of the effect.

The macro test

Track real borrower income, rate resets and principal schedules alongside credit supply. If new loans fill old payment gaps without an income recovery, today's buffer becomes tomorrow's constraint.

07 / WORKING-CAPITAL TEST

A KRW 1bn funding need can emerge without sales growth

Illustrative assumptions: KRW 12bn annual sales, KRW 9bn cash cost of sales and a 360-day year.

Metric	Base case	Slower collection	Sales grow 20%
Annual sales	KRW 12.00bn	KRW 12.00bn	KRW 14.40bn
Receivable days	60	90	60
Inventory / payable days	60 / 45	60 / 45	60 / 45
Receivables	KRW 2.00bn	KRW 3.00bn	KRW 2.40bn
Inventory less payables	KRW 0.375bn	KRW 0.375bn	KRW 0.450bn
Net working capital	KRW 2.375bn	KRW 3.375bn	KRW 2.850bn
Additional requirement	—	KRW 1.000bn	KRW 0.475bn

Net working capital equals receivables plus inventory less payables. The base cash-conversion cycle is 75 days. A 30-day collection delay increases it to 105 days and ties up KRW 1bn without additional sales. Financing that amount at 5.5% adds KRW 55m of annual interest.

Collection-driven borrowing

Credit can rise with no new orders. Cash flow can weaken before reported profit, making collection days an early warning before a loan becomes overdue.

Growth-driven borrowing

With turnover days unchanged, a 20% sales increase requires KRW 0.475bn of extra funding. The link to sales and turnover matters more than loan size alone.

Model implication

Monthly corporate lending cannot by itself establish investment appetite or distress. Connect the same firm's sales, inventory, collections and payment terms to distinguish productive credit from defensive borrowing.

08 / INVESTMENT & DEBT SERVICE

Capacity growth is not yet repayment capacity

Illustrative assumptions: KRW 1bn loan, equal principal repayments over five years, first-year interest on the opening balance.

Annual principal repayment is KRW 200m. First-year debt service is KRW 250m at 5.0% or KRW 265m at 6.5%. Cash below is assumed to be available after tax, maintenance investment and working-capital movements, but before debt service.

Annual cash available	Coverage at 5.0%	Coverage at 6.5%	Interpretation
KRW 150m	0.60x	0.57x	Internal cash falls short
KRW 250m	1.00x	0.94x	A small rate rise creates a gap
KRW 350m	1.40x	1.32x	A cushion, not a guarantee

Draw loan > **Install / accept** > **Operate** > **Sell / collect**

Debt service may begin before the project starts collecting cash.

Coverage equals cash available divided by debt service. A ratio of 1x means that cash matches payments for that year, not that the investment earns an adequate return. Delayed operation, customer approval or a lower selling price can overwhelm the benefit of cheaper funding.

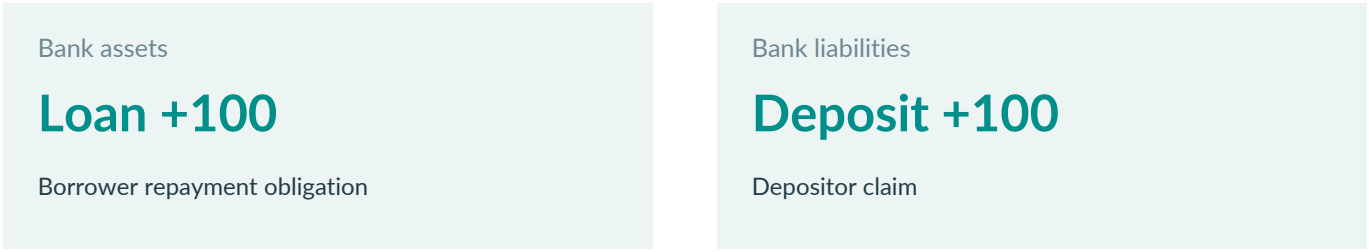
> **Investment closer to a real recovery**
>
> Customer orders, actual delivery and operation, and cash after maintenance costs matter more than loan approval alone. Refinancing buys time; it does not replace break-even economics or long-term recovery of capital.

09 / MONEY & BALANCE SHEETS

Deposit and M2 growth are not two consumption budgets

Bank loans, deposits and broad money are linked, but their coverage and observation periods differ.

September M2 rose 0.4% month-on-month on a seasonally adjusted average-balance basis and 5.5% year-on-year on the unadjusted series. Bank funding rose KRW 30.4tn in October. These measures should not be added into a single spending pool. [8] [2]



Illustrative balance sheet: loan 100 plus deposit 100 is not two independent pools of purchasing power. [12]

A loan can create a borrower deposit and liability at the same time. Payments move deposit ownership; principal repayment reduces loans and deposits. Their simultaneous growth does not increase household or business net wealth by the same amount. [12]

Measure	Economic question	Additional evidence needed
M2	How much have liquid assets grown?	Holder, asset composition and turnover
Bank funding	How has bank funding composition changed?	Maturity, customer mix and market funding
Loans	How has borrowing changed?	Purpose, repayment schedule and non-financial spending

Interpretation

Holding money creates the option to spend, not an obligation to spend. Higher liquidity can coexist with a modest consumption recovery when rates, uncertainty and debt burdens are elevated.

10 / WHO HOLDS THE CASH?

Sector surpluses can coexist with individual borrowing

Q2 flow-of-funds data provide structural context—not an estimate of October's use of funds.

Q2 net lending · KRW trillion



Financial-asset transactions less liability transactions; not cash balances. [9]

Q2 net lending was KRW 60.7tn for households and non-profit institutions serving households (NPISHs), and KRW 67.1tn for non-financial corporations. This is financial-asset transactions less liability transactions, not every member's cash balance or unused investment budget. [9]

Coexisting observations	Possible structure	Analytical caution
Cash-rich large firms and borrowing SMEs	Profit and liquidity are unevenly distributed	An aggregate surplus does not remove vulnerable-borrower risk
Corporate asset purchases and rising loans	Assets and funding expand together	Sector net lending does not imply zero borrowing
More household assets and debt-service stress	Asset holders and borrowers are different	Average wealth is not individual repayment capacity

The real-economy connection

Profits must move through dividends, wages, investment or supplier payments to reach other households and firms. Distribution within and across sectors, and the timing of transfers, matter as much as aggregate credit.

11 / PRICE & ACCESS TO CREDIT

Credit can expand while its price and barriers rise

Rates relate to September, the policy decision to 22 October, and the survey to the Q4 outlook.

Indicator	Level	Change / interpretation
New-business lending rate [7]	4.57% annualized	+0.17 percentage points m/m
Outstanding total-loan rate [7]	4.48% annualized	+0.08 percentage points from prior month-end
BOK base rate [11]	3.00%	Unchanged on 22 October
Q4 lending survey [10]	Generally tighter	Higher corporate and household credit risk expected

New-business rates reflect conditions for new or repriced borrowing; outstanding rates capture the average cost already embedded in existing debt. Changes also reflect borrower and product composition, not an identical interest increase for every borrower.

More lending, greater selectivity

Banks can expand lending to selected strong borrowers while reducing other limits. Aggregate growth does not prove better access for vulnerable firms.

The policy trade-off

The BOK considers inflation, housing and household-debt risks together. A lending rebound is not automatically a signal of rate cuts or an easing phase. [11]

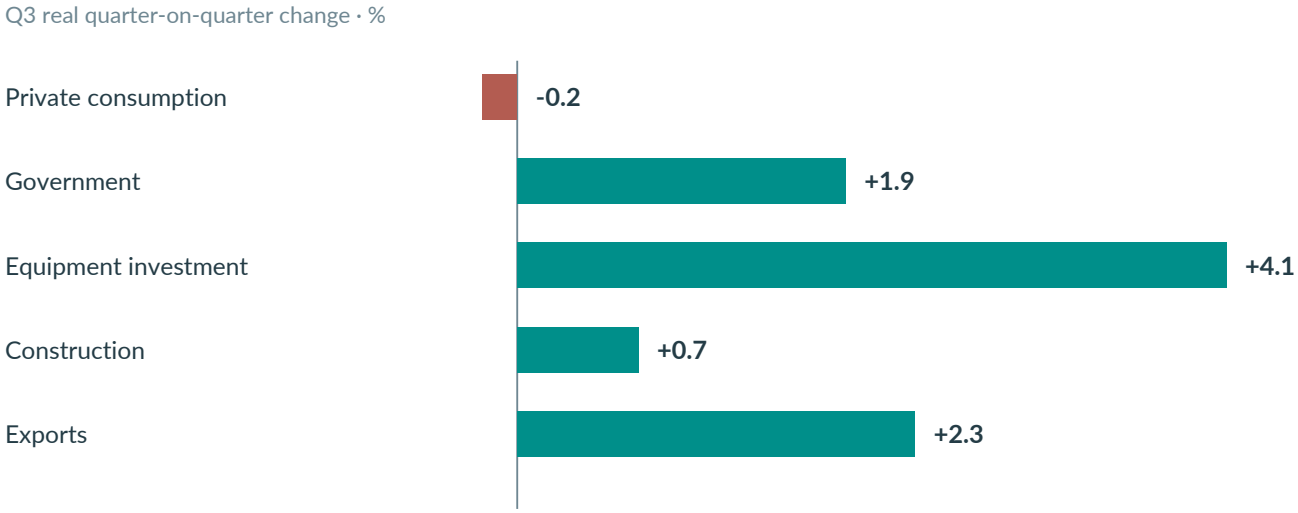
The same discipline for bank profits

Revenue from loan growth must be assessed after funding costs, credit losses and capital requirements. A rising loan book alone does not establish gains for both lenders and the real economy.

12 / REAL-ECONOMY CROSS-CHECK

Match the periods before linking lending to activity

Q3 real expenditure growth, quarter-on-quarter. These are component growth rates, not GDP contributions.



Component growth rates, not contributions to GDP growth. [5]

Q3 GDP grew 1.0% quarter-on-quarter. Equipment investment rose 4.1%, but private consumption fell 0.2%. Economy-wide expansion and household recovery are therefore different judgments. Q3 activity describes the backdrop to October borrowing, not the effect of that later credit increase. [4] [5]

September activity [6]	Month-on-month	Interpretation
Retail sales	+3.6%	Monthly rebound in goods consumption
Equipment investment	+5.3%	Higher machinery and transport-equipment investment
Construction work completed	+5.8%	More work executed on ongoing projects

Sequence of confirmation

Test whether September's rebound persists, consumption broadens to services, and new lending maps to orders and expenditure. A single monthly bounce does not establish the quarterly trend or a causal credit effect.

13 / WHERE THE BENEFITS GO

Benefits accrue to cash recovery, not borrowing volume

TradeLens analysis of borrower and industry exposures—not security recommendations.

Participant	Potential benefit	What weakens it	Evidence to track
Manufacturers with confirmed orders	Fund materials and labor to meet delivery dates	Late deliveries or slower collections	Orders, collections and inventory days
Equipment / construction suppliers	Sales from customer investment execution	Funding cancellations or delayed acceptance	Advances and milestone billing
Domestic retail / services	Bridge household cash gaps	Debt service and living costs squeeze income	Real sales, ticket size and turnover
Floating-rate borrowers	Payment capacity today	Rate resets or principal concentrations	Cash debt service relative to income
Banks / non-banks	Interest revenue and customer growth	Funding, credit-loss and capital costs	Arrears, credit cost and deposit cost
Existing asset holders	Transaction liquidity and buyer demand	Price corrections or refinancing limits	Turnover, collateral and net cash

Credit supporting consumption and production creates income for suppliers and workers receiving payment. When existing-asset proceeds remain in debt repayment or financial holdings, the immediate spillover differs. The ultimate beneficiary is not necessarily the initial borrower.

> **Industry judgment**
>
> Normalized orders and settlement, together with falling arrears, matter more than working-capital growth alone. Higher collateral values without real performance are not evidence of recovery.

14 / SCENARIOS & FALSIFICATION

Selective recovery is the base case; breadth is the upside

Conditional outlook—no arbitrary GDP contribution, interest-rate target or scenario probability is assigned.

Scenario	Conditions to observe	Economic result
Base: selective recovery	Working-capital supply and orders persist. Households manage rates and repayments.	Fewer production disruptions, but uneven consumption and investment.
Upside: productive broadening	Facility funding and actual capex rise. Real income, consumption and collection improve.	Sales, wages and reinvestment reinforce repayment resources relative to debt.
Downside: defensive borrowing	Receivables and inventory turn more slowly. Costly refinancing and debt service increase.	Funding rolls losses forward, pressuring investment and consumption.

Evidence supporting the base case

Lending grows, but real consumption improves gradually and working-capital demand dominates. Normal settlement—not perpetual extension—sustains output.

Evidence that changes the view

Joint improvement in orders, facility funding, utilization and income supports the upside. Rising refinancing and arrears without sales growth points to the downside.

Activity can improve even as loans decline when firms invest from operating cash. Conversely, loans can grow without new value added. Credit growth is therefore an input into assessing whether finance generates repayable income, not a stand-alone business-cycle verdict.

Core outlook

Current credit growth can support some production and payments, but does not establish a broad domestic-demand boom. Better final uses of funds and stronger repayment resources are the conditions for revising this view.

15 / MONITORING & FINAL VIEW

Watch three connections—not just the loan balance

Scheduled releases after the analysis date. Schedules and data may be changed or revised. [13]

Scheduled date	Release	Connection to assess
18 November	Q3 household credit	Financial-sector loans and sales credit in a broader aggregate
20 November	Q3 borrower-level household debt	Aggregate growth and vulnerable borrowers' repayment burden
25 November	October weighted-average rates	Loan growth and the actual price of funding
4 December	Q3 loans by industry	Corporate credit and working-capital / facility composition
9 December	Q3 national income, preliminary	Revisions to advance consumption and investment assessments

First, does borrowing by purpose correspond to real expenditure? Second, does that expenditure return as sales, wages and operating cash? Third, does cash grow faster than debt service? Match borrowers, coverage and periods to assess credit quality.

Final view

Korea's credit expansion can help recovery. The task is to distinguish funds needed for growth from funds needed to fill a cash shortfall. Credit that expands production or consumption while building repayment resources is more likely to sustain the recovery.

> **Three checkpoints**
>
> Use → real spending / real spending → cash collection / cash collection → repayment capacity. A broken link identifies the next risk; joint improvement is evidence of recovery.

16 / SOURCE REGISTER · DATA & DEFINITIONS

Source Register

Select an in-text reference, source title or Open source to visit the original material.

01. FSC / FSS | Household Loan Trends, October 2026 (Preliminary) Open source

2026.11.12 · Official release text · sector and loan-type changes

02. Bank of Korea / KDI | Financial Market Trends, October 2026 Open source

2026.11.11 · KDI summary of BOK release · bank loans and deposits

03. Bank of Korea | Depository-Corporation Loans by Industry, Q2 2026 Open source

2026.09.07 · Official release text · working-capital and facility loans

04. Bank of Korea | Real GDP, Q3 2026 (Advance Estimate) Open source

2026.10.27 · Official release text · GDP and GDI, quarterly and annual rates

05. Bank of Korea / KDI | Q3 2026 GDP Expenditure Components Open source

2026.10.27 · KDI release summary · consumption, investment and exports

06. Ministry of Data and Statistics | Industrial Activity, September 2026 Open source

2026.10.30 · Official release text · output, retail, equipment and construction

07. Bank of Korea | Weighted-Average Interest Rates, September 2026 Open source

2026.10.29 · Official release text · new-business and outstanding-loan rates

Periods, definitions and coverage are preserved. Models use explicitly stated assumptions.

17 / SOURCE REGISTER · POLICY & METHODOLOGY

Source Register

Select an in-text reference, source title or Open source to visit the original material.

08. Bank of Korea | Money and Liquidity, September 2026 Open source

2026.11.13 · Official release text · average M2 and adjustment conventions

09. Bank of Korea / KDI | Flow of Funds, Q2 2026 (Preliminary) Open source

2026.10.07 / 10.08 · BOK released 7 October; KDI posted 8 October · sector net lending

10. Bank of Korea / KDI | Lending Survey: Outlook for Q4 2026 Open source

2026.10.26 · Lending-officer survey summary · standards and credit-risk direction

11. Bank of Korea | Monetary Policy Decision Open source

2026.10.22 · Policy decision · 3.00% base rate, inflation and financial stability

12. Bank of England | Money Creation in the Modern Economy Open source

2014 Q1 · Central-bank analysis · printed pp. 14–17, loans, deposits and repayment

13. Bank of Korea | Statistical Release Calendar, 2026 Open source

2026.11.14 · Scheduled releases · household credit, borrower data, rates and industry loans

14. EBN | Bank Household Loans Rise KRW 5 Trillion in October Open source

2026.11.11 · Supplementary reporting of BOK explanations · seasonality, stocks and VAT

Periods, definitions and coverage are preserved. Models use explicitly stated assumptions.

18 / METHODOLOGY & USE

Methodology and Use

Data and calculation basis / Disclaimer / Copyright and permitted use

Data and calculation basis

Analysis date: 14 November 2026. Household lending uses the FSC/FSS preliminary October release; bank corporate lending uses KDI's summary of the BOK October release. Industry loan purposes and flow-of-funds figures relate to Q2 and do not allocate October borrowing. GDP is the Q3 advance estimate; monthly activity and interest rates relate to September. Seasonal-adjustment conventions are stated separately.

Net changes, gross originations, balances, growth rates and contributions are distinct. The 90.7% figure describes the other-loan contribution to the change in monthly net growth. Published rounding can prevent loan components from summing to the total. Household, working-capital and investment models are illustrations, not borrower averages, company results or growth forecasts. Cash-flow measures are separate from tax, accounting and regulatory measures. Preliminary data and scheduled releases may change.

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