Financial Services Commission

Press Release

February 20, 2024

AUTHORITIES HOLD MEETING ON HOUSEHOLD DEBT RELATED RISKS

- In 2023, household credit increased KRW18.8 trillion *(up 1.0%)*, a much smaller level compared to previous years.
- A drop in household debt to GDP ratio *(100.8%)* expected for the second straight year.

Vice Chairman Kim Soyoung of the Financial Services Commission presided over a meeting with relevant authorities and organizations on February 20 to discuss current household debt situation, related risks and future expectations. At the meeting, the authorities also went over the situation with policy mortgage loans and held talks on ways to improve the quantitative and qualitative structure of household debt.

The preliminary data on household credit released by the Bank of Korea for the year of 2023 showed an increase of KRW18.8 trillion *(up 1.0 percent)* from the previous year. When compared to the ten-year (2013-2022) average growth of about KRW90 trillion a year in previous years, the current pace of growth appears to be on a very stable footing. At the meeting, participants expressed favorable views on the stable management over household credit. However, with expectations about interest rate cuts this year and a potential recovery in the housing market, authorities shared the same view on the need to more systematically manage the pace of growth.

In this regard, Vice Chairman Kim said that the authorities will make efforts to ensure that the pace of household debt growth stays within the level of annual economic growth in 2024. Although there may be challenges along the way, such as rising demand for loans due to expectations for interest rate cuts and excessive competition between lenders, Vice Chairman Kim said that the authorities will work on the following measures. First, the authorities will continue to maintain close communication with all financial sectors. The Financial Supervisory Service will keep close tabs on how lenders are handling loans by their type and use, while requiring self-adjustment measures from the lenders deemed to be extending credit too rapidly. Second, the authorities will strictly manage the supply of policy mortgage loans to ensure the availability of housing loans to non-speculative homebuyers and renters, while taking appropriate steps to manage the pace of supply in policy mortgage loans. Third, the authorities will consistently work on measures to improve the quantitative and qualitative structure of household debt through introduction of stressed debt service ratio (DSR) limits on borrowers and by encouraging commercial lenders to handle more longer-term mortgage loan products.

To work for a soft-landing of the current household debt situation, Vice Chairman Kim said that it is necessary to control the growth of household debt in quantitative terms in the short term, while building foundations to encourage the practice of borrowing within one’s own debt service capacity over a medium- to long-term.

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