

South Korean Financial Market

South Korea boasts one of the most advanced financial systems in the world, having undergone significant modernization since the Asian financial crisis of 1997. Although the outbreak of the COVID-19 pandemic led to an initial economic downturn in 2020, the South Korean financial system has demonstrated stability and resilience during this period.

At the core of the country's financial system is the Bank of Korea, established in 1950, which serves as the central bank and issuer of the won, South Korea's currency. It is one of the leading financial institutions globally, with primary objectives including controlling GDP and inflation within the Korean market.



Source: www.bok.or.kr

As of November 2021, South Korea's Financial Stability Index (FSI) reached 5.1 points, indicating an increase compared to previous months. The index peaked in April 2020 before declining. Despite the initial economic contraction in 2020 due to the COVID-19 pandemic, South Korea's financial system has shown consistency. Another aspect contributing to this stability is the range of securities traded on the South Korean stock exchange, where investors can engage in various instruments, including stocks, bonds, ETFs, and real estate investment trusts (REITs).

The Korea Exchange (KRX) provides an environment for companies to raise funds through the issuance of securities and for investors to trade these instruments. It operates the KOSPI and KOSDAQ stock trading markets. The KRX was established in 2005 through the merger of three existing exchanges: the Korea Stock Exchange (founded in 1956), KOSDAQ (founded in 1996), and the Korea Futures Exchange. For example, KOSPI primarily focuses on large companies, also known as blue chips.

Korea Stock Exchange: <https://global.krx.co.kr/main/main.jsp>

References

1. Bank of Korea. Available at: <https://www.bok.or.kr/eng/main/main.do>.
2. KRX. Available at: <https://global.krx.co.kr/main/main.jsp>. Accessed: December 2022.