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## Long-term Foreign Currency Borrowings Rising at a Rapid Pace

Original:

<https://www.btcc.com/en-US/academy/financial-investment/long-term-foreign-currency-borrowings-rising-at-a-rapid-pace>

South Korean enterprises' foreign currency borrowings are rapidly rising. Specifically, the foreign currency borrowings of the top 100 non-financial listed companies in terms of assets increased from 10.4019 trillion won to 11.3075 trillion won in the first half of this year. Previously, the amount increased from less than 7.7 trillion won to more than 10.4 trillion won by 2021.

Their long-term foreign currency borrowings, in particular, increased 35.32 percent in the first half. Specifically, the borrowings with maturity of more than one year increased from 2.8866 trillion won to 4.0916 trillion won in 2021 and then to 5.537 trillion won in the first half.

The main reason is the KRW-USD exchange rate that has surged. The rate rose from 1,188.8 won to 1,298.4 won per U.S. dollar from Dec. 31, 2021 to June 30, 2022 and by 19.52 percent in 18 months. The borrowings are likely to keep increasing for the rest of this year with the rate forecast to top 1,500 won in November or December.

These days, those enterprises are increasing long-term rather than short-term foreign currency borrowings with global economic uncertainties higher than ever. For example, in the first half, the long-term borrowings in the electrical and electronics industry and the chemical industry increased 27.12 percent and 100.23 percent to 2.366 trillion won and 936.5 billion won, respectively. In the former, Samsung Electronics, SK Hynix and so on substantially increased their borrowings in order to make large investments. In the latter, raw material prices have soared this year. For instance, the international price of naphtha jumped from US\$837 to US\$1,023 from early February to early March.

In the transportation service industry, the borrowings of Korean Air and Asiana Airlines, which are related mainly to aircraft leasing, increase 35 billion won and 28.4 billion won each time the exchange rate rises 10 won. In the construction segment, the size of long-term foreign currency borrowings itself declined in the first half of the year, but its ratio to total liabilities reached 3.1%, the highest of all sectors.

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